

AEROSPACE DAILY

Feb. 1, 1994

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**Perry confirmation hearing set for tomorrow**

William Perry, President Clinton's nominee to head the Defense Dept., goes before the Senate Armed Services Committee tomorrow for confirmation, a process not expected to take more than one day.

Perry was nominated a week ago Monday to almost universal verbal approval from SASC members, and is expected to sail through the confirmation process. Republican SASC members yesterday said they would grill Perry on President Clinton's budget cuts, but didn't expect any obstacles to his confirmation.

Quick action on Perry's nomination will make it possible for him to present the already-crafted fiscal year 1995 defense budget to Congress as his own, avoiding delay. The budget is slated to go to Congress next Monday.

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# DEFENSE DIALOG

## THE REUTER TRANSCRIPT REPORT

### HEARING OF THE SENATE ARMED SERVICES COMMITTEE

SUBJECT: CONFIRMATION HEARING OF WILLIAM PERRY TO BE SECRETARY OF DEFENSE

CHAIRD BY: SENATOR SAM NUNN (D-GA)

ROOM 216, SENATE HART OFFICE BUILDING, WASHINGTON, DC

WEDNESDAY, FEBRUARY 2, 1994

SEN. NUNN: (Sounds gavel.) The committee will come to order.

The committee meets this morning to consider the nomination of Dr. William J. Perry to serve as the secretary of defense. And I want to welcome you, Dr. Perry, this morning. We're glad to have you, and I offer you congratulations on behalf of the whole committee for your nomination by President Clinton.

I also want to extend a warm welcome to the members of Dr. Perry's family who are with him here today -- his wife, Lee (sp) -- Lee (sp), if you will just hold up your hand; and their son, David; their daughter, Robin and her husband, David Allen (sp); and Robin and David's daughter and Bill and Lee's granddaughter, Heather. We're glad to have all of you.

Bill Perry is well known to the members of this committee. He has had a very distinguished career in government service, private business as well as academia. He served as director of defense research and engineering and then as undersecretary of defense for research and engineering from 1977 until 1981. Before returning to government service a year ago, Dr. Perry was chairman of the Technology Strategies and

Alliances, a professor in the school of engineering at Stanford University, and a co-director of Stanford's Center for International Security and Arms Control. Last March, he became deputy secretary of defense under Secretary Aspin.

If confirmed, Dr. Perry will be assuming this important position at a time when the defense department is facing significant and increasing challenges. These challenges include maintaining the high quality of the dedicated men and women in our armed forces today; ensuring our military forces are fully capable and ready to carry out their assigned missions today and in the future at the same time that we are reducing the size of our military forces very significantly; bringing home a significant portion of our forces from overseas and continuing to reduce the defense budget each year; developing a strategic partnership with Russia and encouraging defense conversion in Russia, Ukraine, and other countries of the former Soviet Union; maintaining stability on the Korean peninsula and preventing the proliferation of nuclear weapons in North Korea and northeast Asia; forging new security relationships between NATO and Eastern Europe; dealing with the complex issues relating to U.S. participation in and support for United Nations peacekeeping and peacemaking; completing a thorough review of and making needed changes in the assignment of roles and missions in the armed forces; and of course, working with Congress to streamline and reform the defense acquisition process, an effort that is very far down the road now, thanks to the leadership of Dr. Perry and others. Senator Glenn and I have set joint hearing between the Government Affairs and Armed Services Committee, and we are hoping to get an acquisition package, reform package out this spring.

Our budget situation makes all of these challenges more formidable. The fiscal year 1995 defense budget will represent the 10th consecutive year that the defense budget will decline in real terms. Since fiscal year 1985,

the Defense Department's purchasing power has been reduced by one-third, 33 percent. Active duty personnel have been reduced by 520,000. DOD civilian employment has been reduced by 200,000. Spending on procurement of new weapons and equipment has gone down by 60 percent. And we are closing dozens and dozens of military bases in this country and many more overseas.

The bottom-up review completed by Secretary Aspin last September calls for further reductions in our defense establishment over the next five years. Dr. Perry, you know as well as any of us that the fiscal situation in the Defense Department is not going to be easy; it's going to be very difficult. Secretary Aspin's bottom-up review concluded that his recommended force structure would cost \$13 billion more than the amounts provided in the administration's fiscal 1994 budget and its projected five-year plan. That shortfall is in addition to the shortfall for the pay-in inflation assumptions, which have already been proved to be unrealistic, built into last year's budget and the five-year defense plan, a shortfall which has been estimated by the Department of Defense at approximately \$30 billion. We look forward to examining the extent to which these shortfalls have been corrected when the budget is presented to Congress next week.

The new discretionary caps for fiscal year 1994 through 1998 which were signed into law last year will require reductions of about \$70 billion in the administration's planned discretionary budget over the next five years. This includes both defense and domestic discretionary expenditures. These caps will put enormous pressure on the defense budget this year and in the future. I think and have thought last year and made several efforts last year that were unsuccessful because we have to have 60 votes for this. Fifty, a majority, is not sufficient. We did get a majority twice. Senator Domenici and I will introduce the legislation again to put back up the firewalls that were in effect for three years but are no longer in effect. I think we need to look seriously at putting these firewalls on defense spending back in place to eliminate the inevitable temptation to increase spending for

defense programs by cutting the defense budget. I believe and have felt for some time, and it worked this way for three years, that any defense cuts below the president's budget or below the budget resolution as passed by the Congress should be applied to the deficit. So this is a matter that affects the deficit as well as the defense budget.

Dr. Perry has completed and submitted all the material in support of his nomination required by the committee. The committee has received Dr. Perry's background questionnaire concerning biographical, financial and other information as well as the required opinions from the general counsel of the Defense Department and from the Office of Government Ethics. Senator Thurmond and I will review the FBI report as soon as it is available; and Senator Thurmond, I've been informed that that report will be available today.

Dr. Perry has also submitted written answers to a number of policy questions which were submitted to him prior to this hearing. These answers were distributed to members of the committee as soon as they were received. Without objection, Dr. Perry's biographical and financial information as well as his written answers to the committee's advance questions will be made a part of the record.

In closing, I want to acknowledge the tremendous contributions that Secretary Aspin has made to our national security.

As secretary of defense for the past year, Secretary Aspin established a foundation for the restructuring of our defense establishment through his bottom-up review and made important strides in integrating women more fully into the military services. As a member of the House Armed Services Committee for 22 years and chairman for eight years, I worked with Les Aspin over and over again in very difficult, demanding situations. He has been a vigorous leader in the Congress for a strong and effective national defense. All of this on this committee, I think, are grateful to Les Aspin for his service to our nation, and we wish him continued success in his future endeavors.

Let me turn now to Senator Thurmond, our

ranking minority member, for any comments he might have. And then, Dr. Perry, we'll go to you for an opening statement.

SEN. STROM THURMOND (R-SC):

Thank you, Mr. Chairman. Mr. Chairman, I am pleased to join you in welcoming Dr. William Perry as the nominee for secretary of defense. It is also a pleasure to have so many members of Dr. Perry's family in attendance here today.

Although it has been less than a year since the Senate voted to confirm Dr. Perry as the deputy secretary of defense, very many significant events have transpired. Dr. Perry has been one of the bright spots at the Department of Defense of this past year and proved that our vote to confirm him last February was a wise one. I am confident he will not disappoint us if we recommend his confirmation to be the secretary of defense. There are, however, a number of troubling issues facing the Department of Defense, and I hope these hearings can help to clarify the direction the department will be heading under Dr. Perry's leadership.

We need his insight into such issues as the president's remarks in his State of the Union Address that we have cut defense enough and it will not be cut further. Did the president mean that he would hold the line on the figures generated by the bottom-up review or not reduce spending below the 1994 level or not cut more than originally planned to cut over the next three years. This is an issue which concerns me.

We would also like Dr. Perry's opinion on, first, the implementation of the recommendations contained in the bottom-up review. Next, the new alignment of Guard and Reserve missions and what, if any, changes must be made in the laws to make this new alignment work as beneficial as possible for national defense. And, next, the new Department of Defense directives and guidance on gays in the military and how well it conforms to the statute we passed last year. And, next, the vision he has for today's military in a world of regional conflicts and international conditions.

Mr. Chairman, as we attempt to maintain

the world's best-equipped, best-trained and best-motivated armed forces, as the Department of Defense buying power is dwindling with startling rapidity, it is our responsibility to make certain we do not allow men and women in uniform to become an under-trained, poorly-led, ill-equipped, and inappropriately-cared-for military force. Dr. Perry has shown great skill as a deputy secretary of defense during a very difficult time. However, the task of being the secretary of defense will require more vigilance and breadth of knowledge than he has been called on to exercise as a deputy. I look forward to hearing his responses to our questions and again would like to extend a very warm welcome to both him and his fine family.

And in closing, I'd also like to express my appreciation to Secretary Aspin for the service he has rendered to our country as a member of the Congress and also as the secretary of defense and wish him well in the future.

Thank you, Mr. Chairman.

SEN. NUNN: Thank you, Senator Thurmond.

Dr. Perry, we are again delighted to have you and we look forward to any comments you might make before we start the questioning.

MR. PERRY: Thank you very much, Mr. Chairman, and members of the committee. It's a great pleasure to appear before you today, my confirmation hearings. This is the fourth time I have appeared before this committee for confirmation: first as the director of Defense Research and Engineering, next as the undersecretary of defense, next as the deputy secretary of defense, and now I'm seeking to be confirmed as the secretary of defense. I don't know whether four times is a new record for confirmation by your committees, but I hope if it is I can achieve it today.

We all welcome the end of the Cold War, but in the past year we have learned to be less sanguine about the benefits we hoped for. Many argue that with the end of the Soviet empire there would be little need for military forces, but the ending of the Cold War has not brought about the end of history. History continues to be made every day in the hills of Bosnia, in the dusty streets of Somalia, and in

the underground bunkers in North Korea.

Today our forces are deployed around the globe in a variety of postures: peacekeeping, peace-making, border monitoring, humanitarian relief, and deterrence through presence. Some troops overseas are in garrisons; some are deployed for training. But this day more than 80,000 are involved in active operations, daily engaged in difficult duties that only they have the skills and the training to accomplish.

This past year has re-emphasized that old threats can pose new dangers to peace and security. I refer to the potential for conflict on the Korean peninsula. The prospect of North Korea acquiring a nuclear weapons capability to add to the massive conventional military forces highlights the proliferation problems we face today. We are continuing aggressive diplomatic efforts to deal with this nightmare scenario, but the presence of 100,000 United States soldiers, sailors, airmen, and Marines in the Western Pacific is the major factor in the deterrence of that event.

We have also seen that the road to democracy and stability in Russia is going to be rocky and twisted. The emergence of powerful reactionary forces is challenging progress toward the building of democratic institutions and traditions. No national security issue is more important to us and to our children than a stable government in Russia dedicated to democracy.

Of course we cannot control the outcome of events that are unfolding in Russia today, only the Russian people can do that. But we can have a significant, positive influence. President Clinton has made assisting Russian democratic reform a top national security priority and the Department of Defense has played a key role in this effort. We have initiated efforts to facilitate a safe and speedy reduction in the nuclear forces in the countries of the former Soviet Union. The trilateral nuclear agreement recently signed by Presidents Clinton, Yeltsin and Kravchuk is one concrete result of these actions. We have initiated actions to assist U.S. businesses in their effort to convert Russian defense enterprises to the production of commercial products. We have promoted

military-to-military contacts at every level.

But whatever happens in Russia, the military will continue to be an influential institution and we want to do what we can do to encourage the Russian military to be a force for reform, not an opponent of reform. Also, President Clinton's leadership has been instrumental in launching the Partnership for Peace with NATO, and the department will have a key U.S. role in carrying out the practical implementation of this Partnership for Peace.

All of these efforts are dedicated to supporting our efforts to integrate Russia with the rest of the world and to lock-in democratic reforms already achieved. But these efforts are conditioned on progress. We must stay engaged with our allies in case the process is reversed. But we must be patient and not be deterred by temporary setbacks.

These are just several examples of the important and diverse missions that the United States military is performing and will continue to perform in the post-Cold War era. All of these missions are occurring in a period of declining defense budgets. This decline is consistent with the reduced threat to the United States and to United States' interests, but it does present us with very difficult problems of managing our assets and managing our forces during this transition.

Historically, we have not managed well with such budget declines and attendant downsizing, and these experiences are well known and documented. The rapid contraction after World War II gave us forces which were inadequate to the challenge of the onset of the Korean War. The post-Vietnam downsizing gave us the infamous hollow forces of the '70s. This time, we must get it right or we will pay the costs later, either in blood or in treasure. Winston Churchill during the Second World War was confronted by one of his subordinates complaining about some American action, and Churchill told his subordinate not to be concerned. And he said, "The Americans will always do the right thing after having first exhausted all other alternatives." (Laughter.) I hope and believe that we have exhausted the alternatives of how

to do the downsizing wrong, and at this time we will get it right.

This is a daunting challenge facing the secretary of defense today, and I fully understand the difficulty of this challenge. I am proud of the confidence shown me by President Clinton in asking me to undertake the responsibilities of the United States secretary of defense. Broadly summarized, I see those responsibilities falling into six areas. First, the secretary of defense has the responsibility to oversee the joint staff and our commanders in chief in the field in their direction of military operations. If I am confirmed as secretary, I pledge to give first priority to reviewing and assessing our war plans and our deployment orders, and I pledge to provide the required support to CINCs as they direct our forces in the field.

Second, the secretary of defense has the responsibility to ensure readiness through oversight of the services as they equip and train our forces. They are, as President Clinton said, the finest military our nation has ever had. If I am confirmed, I pledge, along with the president, that they will remain the best equipped, the best trained and the best prepared fighting force on the face of the Earth.

Third, the secretary of defense must be a key member of our national security team. President Clinton in his recent summit meetings demonstrated the vision that we need, but the waters here are truly uncharted, and we owe the president our best advice and counsel in planning strategy as we maneuver through the shoals of the post- Cold-War era. If confirmed, I pledge to work constructively and with the best of my ability as an active member of that national security team, fully engaged on all issues of significance to our national security.

Fourth, the secretary of defense is responsible for the military components of our national security strategy. This requires strong relations with and respect for our military leadership so that we can make the full use of their talents and expertise with the best ideas and options. Secretary Aspin left us with an excellent legacy in his bottom-up review. We

will build on that excellent base. If confirmed, I pledge to lead a strong team effort, military and civilians together, in the department to prepare the military strategy and options that we need for the future.

Fifth, the secretary of defense must prepare for approval by the president and the Congress the annual defense budgets which make those difficult resource allocations and program decisions. If confirmed, I pledge to work with the military and the Congress in that effort, but I will not shirk from making the tough choices necessary to ensure that we provide the nation with the ready forces necessary to carry out our military strategy.

And, sixth, the secretary of defense must manage resources, particularly during this difficult drawdown period. If confirmed, I pledge to institute innovative management techniques to vigorously foster acquisition reform and to preserve a necessary industrial base. I also pledge to come to you in the Congress to seek the help that I will need to fulfill this responsibility.

Finally, Mr. Chairman and members of this committee, I pledge myself to the service of the men and women who today wear the uniform of the United States military and to those men and women who will wear it in the future. In the Pentagon, in the stairwell near my office, is a painting of a soldier in church praying with his family, perhaps before a deployment overseas. Below this painting are inscribed the words from Isaiah, "Whom shall I send, and who will go for us?" The men and women in uniform have responded to this nation's call with, "Here am I; send me." We owe them, and I owe them, my best possible effort, and they shall have it.

Thank you very much.

SEN. NUNN: Thank you, Dr. Perry, for a very fine statement outlining the scope of your expected duties as secretary of defense, and I think that's an excellent presentation of the responsibilities that will be taking on.

We will go by the normal rotation rule this morning, and I'll ask the clerk to inform us of the time as it expires.

You mentioned the Korean peninsula. I think it's very important for all of us,

including those of us in the United States as well as our allies, to understand clearly the goals that we have in the dispute with North Korea over its nuclear program. In response to one of my advance questions, you say that, quote, "fundamentally that U.S. sought to ensure that North Korea could not develop nuclear weapons and that resolution of the nuclear issue supported and strengthened the overall nuclear nonproliferation regime."

Dr. Perry, what do you mean by the words, quote, "ensure that North Korea could not develop nuclear weapons," end quote. And I asked that question in light of the fact that the secretary, or rather the CIA director has testified that, in effect, we don't know whether North Korea has nuclear weapons and that the chances are better than 50 percent that they already have one or more.

MR. PERRY: Specifically, our objective is that North Korea should conclude an agreement with the IAEA that provides a continuity of safeguards on the plutonium production facilities which we believe that they have in North Korea. If they -- secondly, that they agree -- entertain serious discussions with the Republic of Korea, South Korea, to proceed towards an agreement for a non-nuclear Korean peninsula. These are our two objectives there. The -- we understand that they may have achieved some small quantity of plutonium out of the earlier operation of one of their smaller reactors, and that it is possible that they could make one or even two devices, perhaps even nuclear bombs with this small amount of plutonium.

Our attention, however, is focused on the much larger reactor and the determination to prevent that from going into production so that they could get some modest size, perhaps a dozen or more, of nuclear weapons in the next few years. We do not know what they have done with this small quantity of plutonium that came out of their test reactor, but as Mr. Woolsey has testified, it is entirely possible that they could have taken that and used it to make a nuclear device or even a nuclear bomb. That is something which we just do not have solid information on.

SEN. NUNN: Dr. Perry, you are an

expert in acquisition and I know you have been involved in almost every commission -- the Packard (?) Commission and others that have looked at acquisition for -- over the years. Without getting into the details of the reform program, we have a package of acquisition reform legislation that we are working on, and as I mentioned in my opening statement, we hope to have that out -- both of our committees, Senator Glenn and I -- in the months of April-May time frame.

How much of the acquisition reform that is undertaken in the -- being undertaken in the Department of Defense under your guidance is -- requires legislation? In other words, if 10 is acquisition reform as you visualize it, how much of it relates to legislative efforts and how much of it generally relates to changes that can be made within the building under the existing law?

MR. PERRY: Well, we can make substantial improvements in acquisition without legislative changes, and we are in the process of doing that. Now on your scale of 1 to 10, I would guess that more than half, maybe 5 or 6, of the improvements could be achieved just by improving our processes and improving our regulations. To get the rest of the way, we do require legislative changes, and we strongly support the initiative of this committee in bringing the legislative improvements forward.

SEN. NUNN: Senator Bingaman has been very involved in that and has taken a leadership role, as you know, for some time, and he will be helping greatly in guiding this committee's efforts. Also, Senator Levin has worked on that long and hard.

Roles and missions -- you are quoted in the March 8, 1993 issue of Air Force Time as stating with respect to General Powell's roles and missions report that it, quote, "was a good plan as far as it went, but it didn't go very far." End quote. Could you elaborate on that and tell us what you envision in terms of a roles and missions review? We have the commission that's going to be appointed under the legislation that's passed. Where do you -- in broad terms, where do you see the roles and missions effort going?

MR. PERRY: The -- as you have said,

there is legislation now requiring the establishment of a commission. If I am confirmed, I would expect to establish that commission within a few weeks after confirmation, and set them on the task of reviewing in the most fundamental way possible the roles and missions of the military forces, specifically looking at ways of changing those roles and missions that can improve the efficiency and the effectiveness of our fighting forces. I would reserve judgment as to what the nature of those changes may be. This I will look to the commission to give us guidance.

SEN. NUNN: The Nunn-Lugar programs came from this committee and under the leadership of myself and a number of other senators on both sides of the aisle in this committee, as well as Senator Lugar and others on the floor of the Senate. This is about a \$1.2 billion program and it's come over three years. As you know, the money has come out of the Defense budget and the aim is to help the Russians and other former Soviet republics get control of the nuclear, chemical and missile technology and make sure we avoid proliferation as much as humanly possible.

This program has been criticized as having been bogged down in bureaucracy, and so forth. You've looked at it. Could you give us just an overall overview of where we stand with it now and what your plans are regarding the Nunn-Lugar program?

MR. PERRY: The funds in the authorization under the Nunn-Lugar act are in many ways the most effective tool we have for dealing with two crucially important problems. One of them is reducing and dramatically reducing the threat of a reversal of reform in Russia and the other countries of the former Soviet, a reversal, a return to a non-democratic government. And secondly, they are playing an absolutely indispensable role in the denuclearization of the four nations in the former Soviet Union that have nuclear weapons, and that is Russia, Ukraine, Belarus and Kazakhstan. We have already seen dramatic developments in that regard in just the last few months.

21 My broad assessment, Senator Nunn, is that we have underway today a vigorous program, vigorous non-bureaucratic program which will have -- already had a few dramatic results, including an important contribution to this trilateral nuclear agreement which was made in the Moscow summit meeting, and will have many more dramatic results this year.

SEN. NUNN: Thank you, Dr. Perry. My time has expired.

Senator Thurmond?

SEN. THURMOND: Thank you, Mr. Chairman.

Dr. Perry, I think you made a very fine statement.

MR. PERRY: Thank you.

SEN. THURMOND: Dr. Perry, during the president's State of the Union speech he stated that the Defense budget should not be cut further. For some time now we have been aware in order to carry out the strategy in the bottom-up review, defense budgets over the next five years are underfunded by \$30 billion to \$50 billion. Do you have the funds necessary in the future years -- a defense plan to implement the strategy on which the bottom-up review is based? If there is a shortfall, how much is it and what do you intend to do about it?

MR. PERRY: The '94 and '95 budget are consistent with the bottom-up review. The five-year defense plan which we submit with the fiscal '95 budget shows a shortfall of about \$20 billion in the out years beyond fiscal year '95. That shortfall will have to be met either by a change in the top line or it will be met by a change in programming or a change in efficiency, improvement in efficiency in our management, or it will --

I should emphasize that what I'm calling a shortfall really reflects an adjustment of inflation estimates. And one other possibility is to simply adjust the budget to accommodate the inflation changes. Or, for that matter, when this becomes an important issue, which is about a year from now, we may find that the inflation estimates were not correct, anyway.

So this is an issue which will need to be addressed and addressed seriously later this year and it will be addressed at that time with



first of all a better understanding of what the inflation for the out years is going to be, a better ability to estimate that, and secondly, by that time we'll have some better ability to estimate how quickly the savings we will achieve from the various management reforms that are being instituted, including the acquisition reform. We do not expect substantial reductions in defense spending this year from the management reforms. Those will be benefits that are achieved in the out years in the budget.

SEN. THURMOND: Dr. Perry, as you know, there has been concern here about the organizational changes in the Office of Secretary of Defense -- OSD -- previously proposed by Secretary Aspin. A recent article in the Washington Post reported that except for one assistant secretary of defense position, only evolutionary changes would be made. What do you intend to do about the internal organization of the Office of Secretary of Defense?

MR. PERRY: I am -- I believe that the organization and positions that we have filled in most parts of the Department of Defense are in very good shape today, and I plan to build on them. The one area where I have continuing concern is in the policy area, and we have some outstanding people in that area. But we have, I think, an ineffective organization. And so one of the things that I will be doing immediately upon confirmation is to work intensively with the leadership in Policy for a restructuring of that organization which will give both myself and, I hope, the Congress the confidence that we will have a much more effective management of our policy operations.

SEN. THURMOND: Dr. Perry, we're currently working to reform the laws governing the defense acquisition process through rapid action on S.1587, the Federal Acquisition Streamlining Act of 1993. This legislation, though critical, is only a first step in reforming the acquisition process in the Department of Defense. How do you intend to overhaul internal Defense Department authorization procedures if we succeed in enacting this legislation?

MR. PERRY: This overhaul is already

underway, Senator Thurmond. We have, first of all, created, as you know, a deputy undersecretary for acquisition reform with a small office designed to oversee this whole reform effort. This deputy undersecretary has created a whole series of what we call process action teams which are looking at each individual change which is being considered and bringing together the key managers in the Defense Department and in -- including the services and in the Office of Secretary of Defense, responsible for that in devising concrete plans for how we change our policies, our procedures and our regulations to get this improvement.

For example, one of our process action teams is in the area of military specifications, and this team is well advanced in the process of devising entirely new procedures by which we determine when we need to impose specifications on our equipment and when we can use, which we believe will be the majority of the time, existing industrial specifications, rather than applying unique military specifications.

SEN. THURMOND: Dr. Perry, the uniformed services' University of Health Sciences was established into law. The vice president's national performance review recommended closing the university, and you signed out a program budget decision which, if issued, would prohibit a class to enter in 1994. Since the university was established in law, any action to reduce or close the university is premature. The viability of the university must be judged based on its long-term contribution as well as the short-term costs. Any cost data must be accurate. I am not sure the vice president's group received good data. Can we have your assurance that the department will not take any action which prejudices the outcome of hearings this committee will hold this year?

MR. PERRY: Yes.

SEN. THURMOND: Dr. Perry, what is your impression as to the importance of joint development and procurement efforts? Are there specific ties which you can identify with these efforts and conversion opportunities?

MR. PERRY: The joint development and

procurement programs are critically important in areas like communications and electronic counter-measures of command and control systems where the function being performed is by its very nature interservice. The Air Force must communicate with the Navy. The Air Force must communicate with the Army. And therefore, our communication, our intelligence, much of this electronic gear it is extremely important that it be — the commonality and the interoperability is extremely important, and the most effective way of getting that is through joint programs. Therefore, in that field we have very many joint programs, and it will certainly be my emphasis to see that that emphasis continues.

In other fields, where the weapons are really quite unique to the service — tanks, for example, submarines — there's no real benefit to joint programs. And then finally, there are fields like tactical aircraft, where the particular aircraft that's being developed is unique to the service but where there is an opportunity for very great commonality in the subsystems, such as the radars, the navigation systems, the communication systems, and in that area we are also emphasizing joint programs for those subsystems and components.

SEN. THURMOND: Dr. Perry, in response to the advance question on the assignment of United States armed forces to the operational and tactical control of foreign commanders, you answered in part, and I quote, "However, if substantial numbers of U.S. forces participate in a major peace operation, they will likely remain under U.S. operational control." End quote. Would you define for the committee what you consider substantial? And would smaller units be committed under the operational or tactical control of foreign commanders?

MR. PERRY: We have had units of the United States military under operational control of foreign commanders in NATO, for example, frequently at battalion-size level, which is a good-sized military unit, and squadrons. In peacekeeping or peace enforcement operations, generally we will find only smaller units being considered or being under operational control. In general, if the

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unit is to be of significant size, certainly higher than battalion, we would expect them to be under the operational control of United States commanders.

SEN. THURMOND: Thank you, Dr. Perry.

Mr. Chairman, I believe my time is up.

SEN. NUNN: Thank you, Senator Thurmond.

Senator Exon?

SEN. JAMES EXON (D-NE): Mr. Chairman, thank you very much.

Dr. Perry, thank you for the great opening statement, and I welcome you enthusiastically here today.

MR. PERRY: Thank you, Senator Exon.

SEN. EXON: You said something about this is the fourth time that you had been before this committee for confirmation. There's an old adage that says the third time is a charm. I wish to start out this morning by saying I think the fourth time around will be relatively easy, and I think all of us hope that we can move forward speedily on this nomination and get it confirmed.

MR. PERRY: I will associate myself with that wish, Senator Exon. (Laughter.)

SEN. EXON: I simply say that I have known you for a long time and I can't tell you how enthused I was, after the announced resignation of our friend, Les Aspin, that the president chose you for this position. Certainly, in my view, you have the education and the background and the training, and certainly the experience to do a truly outstanding job for this country as secretary of defense. In fact, I would venture to say that in my opinion, there has been none of your distinguished and talented predecessors in this position that come to us with the credentials. And for that, we are thankful for the president for his choice.

There are things that I think we need to go into for the Record so that it is clearly understood. Although I have not subscribed to any of them, I have read some statements with regard to the fact that some wonder whether or not your past connections with the military industrial complex, in the investments that you have in any of the companies that do business

with the Defense Department. Can you address that matter as best you can? Are there any conflicts or potential conflicts of interest that might come up in your serving in this position that I am confident you will be confirmed for? I want that set straight for the Record.

MR. PERRY: Thank you, Senator Exon. Yes, before being offered the deputy secretary position, I had positions on boards of several companies, some of which had defense programs, and I had stock holdings in companies with defense connections. And as I undertook -- when I became the deputy secretary about a year ago, that I would divest myself of those holdings and sever my connections with those companies, if I was confirmed for that position, which I was and which I then did.

The only exceptions to that are in two different areas. First of all, I am on -- while I have no ongoing connection with Stanford University, I do have a leave of absence from Stanford, and so -- and Stanford does have some defense contracts. Consequently, I have recused myself and my position for any decisions made regarding Stanford. In the past year, there have been no such issues come up, and so there has been no need to exercise that recusal.

Second, while I sold all of my stock holdings in public companies, I also held some stock in some small companies through venture capital operations where the companies were small, private companies that -- whose stock was not liquid, not marketable. And those companies -- I undertook, then, to recuse myself from any decisions or actions relative to those companies and I also volunteered that if -- as soon as the opportunity to sell the stock arose -- for example, if any of those companies' stock would go on the public market, I would immediately do that and sell that.

In the last year, relative to that commitment, these -- I have heard -- I have been -- faced no decisions or for that matter even heard of any of these companies. They are all very small and relatively insignificant as far as the Defense Department is concerned.

4. I have the opportunity to sell the stock, and I have. I believe I have no conflicts of interest which would in any way inhibit my ability to do this job.

SEN. EXON: Thank you, Dr. Perry.

MR. PERRY: I should say I do have -- I've had through the years considerable knowledge of and connection with the defense industry and the technology industry. I believe that's been an -- will be an asset to me and help me understand better the significance of the technical decisions I'm making and also assist me in overseeing the downsizing of this industry so I -- as I understand better what it is actually composed of.

SEN. EXON: Let's return to the budget potential shortfall for just a moment. A month or two months ago there was considerable publicity regarding the \$50 billion shortfall that I understood was in the budget over the next five years with particular regard to defense. It's my understanding that over half of that has now been eliminated with the CBO restudy of what the inflation factor would be, but the last I heard there was still a \$20 to \$25 billion shortfall in the proposed defense budget. Is that shortfall still there, and how do you think we should address it?

MR. PERRY: Yes, it is, Senator Exon. It's about \$20 billion.

Let me be clear that when we're talking about shortfalls what we're talking is not changes in decision about what program we're going to execute or even changes in estimating how much it would cost to execute a program. We're really talking about the changes that were introduced by two events.

First of all, when the Congress introduced a pay raise, that was not in our original budget assumption, a pay raise for fiscal '94. And so that raise and its affect on the out years was one of the contributors to that. And that change -- that problem has been dealt with by the president authorizing us to increase the top line of the budget for fiscal '95, and that has been done.

The second change comes with the estimates of inflation. And this is an issue which is hard for the people not working in the budget area frequently to understand. But when

we make our budget estimates we make them many years into the future -- five, six years into the future, and we have to estimate what the inflation will be during that period. And we do that based on the best estimates available to the government economists at that time. So we made an estimate at the beginning of this year and put our budget together based on that estimate.

Then, as we were putting our '95 budget together, a new estimate was made by the government on what the inflation would be for the outyears. It was a very small difference. It was like a half a percent or so difference, but that budget over -- that difference over a budget the size of the Defense Department over five years amounted to a large number. And during a period of several weeks when that inflation number was being refined, there were different estimates as to how big an impact on the budget it would be. One of them was 50 billion. One -- that finally settled down to a \$30 billion number. And then by the time the adjustments were made in the top line and we had the final inflationary estimate, the budget was too low by \$20 billion, as if the inflation were to be at the level most recently estimated.

And so our budget will come into the Congress next week with a '95 budget clearly defining the programming, but for the outyears, the five years that go out in the budget, we don't have a specific plan of how to deal with that \$20 billion shortfall. And my belief that the proper way to handle that is that we should handle it later in the year when -- as we are preparing the '96 budget, when we will have at that time a more accurate estimate of inflation for the '96 period, which could be either lower or higher, and as I mentioned before, we will also have by that time a better estimate of what -- how soon we will be able to realize some of the budget savings from the management improvements that we're introducing now.

We have been reluctant to put a number in the budget many years into the future of what savings we're going to achieve from our management improvements until we start realizing them.

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SEN. EXON: Thank you, Dr. Perry. Thank you, Mr. Chairman. My time is up.

SEN. NUNN: Thank you, Senator Exon. Senator Warner?

SEN. JOHN WARNER (R-VA): Dr.

Perry, I welcome you and your family. It has been a privilege for myself and many members of this committee to work with you over a number of years. I also wish to commend you for the acknowledgement that you paid your family on the day that the president selected you to undertake this post. And I hope that same acknowledgement is imparted by you to all the families, military and civilian, in your department.

MR. PERRY: Thank you, Senator Warner.

SEN. WARNER: I want to follow on to Senator Exon's question. Given this projected shortfall, are you able to assure the Senate today that you're able to have the same force structure that was in the bottoms-up review in Fiscal Year '95 -- given that projected shortfall?

MR. PERRY: Yes, Senator Warner. I have committed to achieving the bottom-up review. The president has committed to achieving it. What is left to be filled in is the details of how we will do that in Fiscal '96 and beyond. But I have confidence that we will be able to deal with that problem, either by making the improvements I described or by getting the -- a break in inflation or by getting and increasing the top line, whatever is necessary to deal with the problem.

SEN. WARNER: In your commitment to maintain those forces, you said, "To carry out our nation's strategy." Under the Goldwater-Nickles, we asked the department to provide the Congress each year with a strategy report. This one I'm holding was provided by the Bush administration in January of '93. There was no similar document provided the Congress in this past fiscal year by the Clinton administration. Do you pledge to us to fulfill the Goldwater-Nickles requirement to provide this document this year in a timely fashion?

MR. PERRY: Yes.

SEN. WARNER: The Congress has, I think, equal responsibilities to review that

strategy and to review those force levels, and therefore, to do so we need to have in detail precisely what it is the president proposes to do.

MR. PERRY: I should say, Senator Warner, that we expect to have -- present to the Congress within a matter of weeks, not a matter of many months, our latest thinking on this strategy, and we will be consulting with the Congress during February and March on the details of the new national security strategy.

SEN. WARNER: That's very reassuring because that is in strict compliance with Goldwater-Nickles, that timetable.

I want to join others in expressing our appreciation as citizens to Secretary Aspin for the services he has rendered. And as you formulate this commission on roles and missions, you might consider asking if he would be willing to serve on that. He brings a breadth of experience, as you well know, and I think would be a very suitable member, if I might suggest that.

MR. PERRY: He certainly does. I thank you for the suggestion, Senator Warner.

SEN. WARNER: How would you view the goals of your administration, and particularly your management styles, as differing from those initiatives undertaken by Secretary Aspin?

MR. PERRY: Well, as you know, Senator Warner, he and I worked very closely together in the last year, and many of the hallmarks of this administration the past year, and particularly the bottom-up review and particularly the budget preparation, were as much my preparation as his. We worked hand in hand in doing these things. So you should reasonably expect a high degree of continuity in the maintaining and carrying out the bottom-up review, in the budget, and in the emphasis on some of his particular projects which I strongly associate with, his introducing in the military for more positions for women, and in equality and free treatment. Secretary Aspin, I think, has made profound contributions in those areas, and I --

SEN. WARNER: We're not questioning that. The point is that we have reason to

believe that his management style, in particular, might have been a factor for, let's say, his decision together with that of the president that he step down. Now, how would your management style differ?

MR. PERRY: Well, it's fair to say that our management styles are different. Our personalities are different. I would probably be a poor witness on trying to describe why mine would be better or worse, but I --

SEN. WARNER: But it will be different.

MR. PERRY: They will be different, simply because we're very different people. But our philosophy and our objectives, what we're trying to achieve in the Defense Department, are very similar.

SEN. WARNER: On a lighter side and to phrase the question in a very simple form, after your announcement at the White House, I was asked by the press what my views were. And I said something along the following lines, that having known you for these many years, and watched you work, particularly in the procurement cycle, that you would probably be the best-qualified secretary to solve that problem which has plagued every secretary since the inception of the department; namely, eliminating waste, fraud and abuse. And I said that in all probability, you would be the one that would eliminate the story on the \$150 hammer versus the \$50 hammer in the hardware store. Was I right or wrong?

MR. PERRY: Senator Warner, you were right, but I also want to point out that in my list of the requirements, of the duties of the secretary of defense, that was listed number six, and that number one was overseeing our CINCs and Joint Chiefs, the military operations --

SEN. WARNER: I got that. Let me go quickly to a last point. On the carrier, you've indicated to me that you intend to carry forward the president's commitment to construct that carrier or at least seek authorization in Fiscal Year '95. Is that correct?

MR. PERRY: That is correct.

SEN. WARNER: And are you prepared today to tell us how you would authorize the secretary of the Navy to in turn authorize the

sole contractor to begin the negotiations of contracts and particularly subcontracts which could provide a basis for a saving of us to 200 to \$300 million?

MR. PERRY: I have asked the secretary of the Navy to proceed in a way which will be the greatest savings in dollars to the taxpayer, and he will determine the procedure by which that is to be done. I cannot testify to you today on how he's going to do that, but I can tell you what my guidance to him was.

SEN. WARNER: And that was to proceed.

MR. PERRY: To proceed in the most efficient way possible with the greatest benefit to the taxpayers.

SEN. WARNER: Thanks very much.

SEN. NUNN: Thank you, Senator Warner.

Senator Levin?

SEN. LEVIN: Thank you, Mr. Chairman. Welcome, Dr. Perry, to you. I can't think of anyone who has really got the experience, the temperament that you have to address this job at this time. You not only have the experience which will allow you to change the culture as to how we buy things in the Pentagon, which is critical -- although it's number six on your list, maybe -- that you also have, I believe, the thoughtfulness that is required as to how we address new threats in a way which is essential that we do. And so I commend you for taking this job. I thank you and your family because it was obvious when you were with the president, when he announced your appointment, that your family had a major role in your decision to accept this position and had some real questions about whether or not you should do so. And I'm glad they reached the conclusion they did and I'm glad you reached the conclusion that you did. So we owe them a thank you as well this morning.

MR. PERRY: Thank you, Senator Levin. I might point out that the press has observed that a principal deficiency I had for this job was being soft-spoken, and I will work very hard to overcome that problem.

SEN. LEVIN: The \$20 billion in shortfall that you mentioned is an outyear shortfall, first of all. Is that correct?

MR. PERRY: Yes.

SEN. LEVIN: That's not in the 1995 budget.

MR. PERRY: That is correct.

SEN. LEVIN: That is in years two through five or three five?

MR. PERRY: Two through five.

SEN. LEVIN: Do you know what the breakdown is year by year?

MR. PERRY: I don't have it in my head, but I do know it.

SEN. LEVIN: Now you've indicated, and I think it's very important, that that shortfall can be cured in a number of ways, not just by increasing the size of the defense budget --

MR. PERRY: That will be the last way considered.

SEN. LEVIN: -- but also by buying smarter, being more efficient, management reforms which you are going to work on. Is that correct?

MR. PERRY: Absolutely.

SEN. LEVIN: The way I compute management reforms, it's possible, for instance, if we just saved a nickel on a dollar in the way we buy things in the Pentagon that we would save over \$2 billion a year in procurement. Without asking you to go through the math, I -- would you not agree that billions of dollars each year are at issue in the way -- if we can buy smarter?

MR. PERRY: I certainly believe that, Senator Levin. I have always been reluctant to program in our budget savings for which I did not have a concrete program to achieve.

SEN. LEVIN: But is your belief going in that in the out years when we know more what these savings can achieve, that they could, indeed, amount to billions of dollars if --

MR. PERRY: I have considerable optimism on that point.

SEN. NUNN: I'd just add so that everybody would understand where we are that we already have programmed in under the Bush administration billions and billions of dollars of, quote, "savings" that have yet to be identified. So there are all sorts of bullets in the defense budget now that is a claimed savings for various management reviews that have not yet been realized. So I think we ought to be very hesitant about grabbing some more

before we realize those we're actually projected.

SEN. LEVIN: Yeah. I don't think -- I agree with the chair. We surely should not grab anything that's not real. But there are real savings to be achieved.

Just a few years -- just two years ago we reduced the budget request for additional inventory by over \$3 billion. And that's because we already had upwards of \$100 billion of surplus in inventory that we didn't need. And yet there's a budget request that came in a couple years ago that contained \$3 billion more of stuff that we didn't need. We cut it, it was never missed.

So I'm glad to hear that our new secretary is going to look for real savings. I fully agree they've got to be real. We can't fantasize savings, but his belief and his experience that there are real savings to be achieved, it seems to me, is essential if we're going to achieve them.

And the next question I have has to do with the statement that you made in answer to the questions on page 14 of your answers, that you favor U.S. assistance to help the U.N. enhance its ability to conduct peace operations and that it is in our national interest to do so. Can you -- is that your position?

MR. PERRY: Yes, it is.

SEN. LEVIN: And can you tell us some of the ways in which we could enhance the peacekeeping and peace enforcement capability of the United Nations so that it could address threats to world security, including ours, without so much reliance on us doing it, some of the specific ways in which we might be able to enhance that?

MR. PERRY: Well, first of all, observe that many of the peacekeeping, peace enforcement operations of the United Nations we see as being in our national interests. Given that they're in our national interests, having the United Nations conduct them instead of having the United States having to unilaterally conduct them is a great benefit to us. Our problem in the past has been -- one of our problems in the past is that the United Nations is not well equipped or well organized to conduct these kind of operations. And in

particular, they're almost completely lacking a command and control system for doing that. So one of the things that we have recommended that they do and we should assist them in doing is gaining some sort of an adequate command and control so that when they get involved, when the U.N. is involved with the U.S. support on peacekeeping operations, that they will have the adequate command and control so this will be an efficient, well run operation.

Now, I should say that in the meantime, any military operation of any size needs to be done under different command and control arrangements because those do not now exist in the United Nations. And as we have looked at various options for being involved in military operations on a -- under U.N. mandate, we have -- the only two options we see today are the -- doing it under NATO, where the command and control is in place and very well exercised, or we can do it as it was done in Desert Storm where there's a multinational coalition put together and the United States is responsible for putting the command and control together.

SEN. LEVIN: My time is up. Thank you.

SEN. NUNN: Thank you very much, Senator Levin.

Senator Cohen?

SEN. WILLIAM COHEN (R-ME): Mr. Chairman, first a question or an observation to Senator Warner. If he is paying \$50 for a hammer, I suggest we're going to have to go to a different commercial source for the Pentagon. But -- (laughter).

Mr. Perry, it's important, I think you and both agree, we all agree, that we have an integrated and coherent defense and foreign policy. And I use that in the singular as opposed to "policies." And I was impressed that you would quote from Isaiah when you said, "Whom shall I send and who will go for us?" I think those are important questions, but there are two that at least should precede that, and that is when and under what circumstances will we send our men and women into battle and under whose command and authority will they be asked to fight, something that Senator Levin was just touching upon.

I think whether one looks at Somalia,

Bosnia, Haiti, perhaps even North Korea, there has been some ambiguity or even confusion over our mission, our words and our deeds. That's not a question to you, it's an observation, and perhaps we'll have time to address that either in a few moments or later this morning.

I'd like to talk about this confusion over words and deeds in specific reference to North Korea. Senator McCain introduced and was successful in passing a resolution yesterday dealing with North Korea and its nuclear program. But I want to go back just a moment. In a "Meet the Press" interview back on November 7th, President Clinton declared that we will not allow North Koreans to develop a nuclear bomb. And then about a month later, Secretary Aspin publicly stated that North Korea may already have a nuclear explosive, but then he affirmed the president's statement as a clear policy of the United States government. And then soon thereafter, some of the White House officials were widely quoted as saying the president had misspoken and that what he really meant to say was that we would not allow North Korea to become a nuclear power.

What constitutes a nuclear power, in your judgment?

MR. PERRY: I don't think we can put a precise formula on that, Senator Cohen. We should look at, instead, I think, at what it is we are trying to prevent on the nuclear (sic) peninsula, and there are several dimensions to that. One is we are trying to prevent a nuclear arms race in the Western Pacific because if North Korea becomes a nuclear power -- not as defined by us but as defined by the Japanese and the South Koreans and the Taiwanese -- there is every possibility that they will want then to become nuclear powers as well. So we see a very dangerous proliferation ahead of us.

SEN. COHEN: And given the limited number of ports and airfields that the United States would be required to reinforce, I would respectfully suggest even one or two nuclear weapons would constitute a militarily-significant arsenal in that region under those circumstances.

MR. PERRY: We are very concerned

about the possibility that North Korea has even one nuclear weapon. We're not sanguine about that at all.

SEN. COHEN: As I recall, Emory Lovin (sp) and his wife back in the either early or mid '80s wrote a book called "Brittle Power," and the central thrust of that book was that the more sophisticated and integrated that our energy system becomes nationwide, the more fragile it is, the more susceptible it is to either an act or an accident that could throw our energy supply system into chaos. And I know that you have a reputation for being an advocate for high tech, and I'm told that you even had a license plate with a personal logo that had high tech (sp) on it. And so I'm familiar with your background, as we all are.

Alvin Toffler wrote a book very recently called "War and Anti-War" in which he talked about the new era of information warfare, and one of the quotes that I remember in the book is that "the sword of knowledge can cut off the very hands that wields it." And he quotes a Pentagon official as pointing to Desert Storm and saying "a war in which an ounce of silicon in a computer may have had more effect than a ton of uranium." I think that all of us would agree with that, as well. But I think, as you have written fairly extensively about this, that by virtue of this new power that we have, miniaturization in our weapon system, in that technology, it also becomes like brittle power more fragile, more susceptible to electromagnetic pulses.

And that brings me back to the subject of a crude nuclear device may, in effect, become the poor man's electromagnetic pulse weapon that's quite perfectly suited to disrupting what Toffler called the third wave reconnaissance-strike complex that's critical to our claim to be the only remaining superpower.

You're written about this in articles. In fact, I think you had a chapter in Jan Noven's (sp) book that's about to come out dealing with this subject matter. But I'd just like to make the point that crucial to our impressive victory in the Gulf War was the global positioning system that we have, the GPS. And according to an unclassified data from the Defense



Nuclear Agency, a single North Korean nuclear explosive device -- I'm not calling it a bomb, explosive device -- of 100 kilotons could seriously degrade our GPS system over most of the Korean Peninsula for the first several critical days of a conflict and also knock out our high-frequency communications for an entire day.

And so I think it's important, as you've just indicated, that we not allow North Korea to have any nuclear explosives or devices, and it need not become a quote, "nuclear power" in the sense that we are a nuclear power as such. And so I'd like to reaffirm what Senator McCain was attempting to do on the floor yesterday. I think it's not enough to say they might have, they may develop one or two, we have to use whatever power, both diplomatic and even military if ultimately necessary to prevent a nuclear capability from really being produced in North Korea.

And while you've indicated the CIA says it's 50-50 chance they may have nuclear -- a nuclear bomb or device at this time, I think we have to remember that in Iraq when our CIA and our other agencies projected anywhere from 1 to 10 years it would take for Iraq to develop it, and we found after the war it was much closer than we anticipated.

And one final point, if I could, Mr. Chairman -- with respect to Russia, I hope that you will follow closely what the Russian military is about. It is my belief that they have been engaged in extortionist practices, what I would call the -- a racket as such, a protectionist racket where they have been bringing existing governments nearly to their knees, only to rush in with aid provided that that country will then agree to come under the aegis of the independent -- Commonwealth of Independent States, and it's, I think, a legitimate fear on the part of many people that we're going to see a reformation of the Soviet -- former Soviet republics under the banner of a greater Russia. And it's going to be very difficult for the administration to come before the Congress and say we need more money, through the secretary of state's advocacy, for financial aid for Russia at the same time that we can point to a number of very disconcerting

military activities on the part of the Russians as well. It's going to be difficult to request financial aid for one purpose while we're looking with another eye toward what they're up to.

MR. PERRY: Some of the funding, of course, Senator Cohen, that we're requesting in this regard, which is for our military-to-military contacts with Russia, is intended first of all to give us a better understanding of the thinking of the Russian military, and secondly, hopefully to influence the behavior of the -- and to have them see, as we see, the special role of a military in a democracy. And we have had many discussions with very senior Russian militaries on this very topic, and it's a very new idea and a very different idea to them. I believe we've made progress, and I believe we should continue to try hard in this area.

SEN. COHEN: My time is up. Thank you, Mr. Chairman.

SEN. NUNN: Thank you, Senator Cohen. Senator Glenn?

SEN. GLENN: Thank you, Mr. Chairman.

Dr. Perry, I particularly liked the last couple of paragraphs of your opening statement because I think it does bring us back to basics, shows an awareness that after we get done talking Goldwater-Nichols, and policies, and security alliances, and total force policies, and all these things that would -- the whole hierarchy and the whole Pentagon and everything exists for one reason, and that is, if people are out there getting shot at, whatever their mission, they have to be supported, they have to be trained, organized and supported, and that's the mission. And if we ever lose sight of that fact over there with all of our emphasis on all the other things that go on in the Defense Department, we've lost sight of why we exist, why the Defense Department exists. And I know you feel that, and I was glad to see your last couple of paragraphs there. I thought they were very, very good. It shows you're aware of that.

Out of the 178 pages of questions and answers that were a preface to this hearing that you filled out, there wasn't much on an area

that concerns me very, very much, and it's how we make the Defense Department work better. And it's not just acquisition. It's not just procurement. But it's things that we've had many -- we've had dozens of GAO studies, some on this committee, a number of them over on the Governmental Affairs Committee I head -- and Senator Nunn already referred to the fact we're going to have some joint hearings on some of the procurement legislation that I've put in over there that includes things of the 800 panel, includes work of this committee, with Governmental Affairs Committee, with the national performance review. And, of course, we want to work with that, and you and I have discussed this briefly the other day.

But I'm also concerned about some of the other things that have come out over the past few years as we've had hearing after hearing after hearing. And I personally have probably conducted -- I don't know -- 25 or 30 years, and I don't even know how many GAO reports on things such as the M accounts. Well, we finally got that straightened out. Now we're into DBOF, Defense Business Operating Funds, and whether that can work as a unified fund or not. We now know that over the last nine months \$1.4 billion it's estimated was paid out to people that hadn't even submitted a bill. And about half that's been paid back because they voluntarily said, "No, we didn't get -- we didn't send you a bill, but here's the money back anyway, government." So this is not small stuff; this is \$1.4 billion just in that account.

We found fictitious military members, that somebody was getting their pay every month, and so we eliminated that. That didn't turn up as a result of any good accounting system. It turned up because some of their neighbors thought they were living a little bit too high and tooted the whistle on them. And it came back through IRS, I believe. We have excess procurement because there's no accurate inventory of some of these things, so we order more every year not knowing what we really have in the warehouse still. We have -- the government overall has 200 different accounting systems. Army alone has 43

accounting -- separate accounting systems.

The Navy, estimated in our testimony, has some \$7 billion worth of spares, driveshafts and pumps and so on, aboard ship that are marked off the inventory list when they're put aboard ship as though they're expended. Now, we're taking ships out of commission and not bringing that stuff out and putting it back in. So we're procuring new equipment even though the ships are coming out, and we're buying more new driveshafts, even though the old ones are out there aboard ships and so on.

I bring this up as -- you know, we talk about \$30 billion that we need now to make the Defense Department balance. I would submit that, if we just made the place hum and work, lean, mean machine, we could find that kind of money. And we've gone on with this year after year after year. I'm not berating you because it didn't -- most of it didn't happen on your watch -- yet. But it also -- I think we need -- I don't know whether we can correct this by evolution or whether it's going to require revolution of management over there. Now, we know you've got a new comptroller over there that used to be on the staff of this committee, John Hamre. Couldn't be a better person in that position in my way of thinking. And he knows -- he's been to our hearings here and knows the problems.

And this is more a statement than a question obviously, but I hope very much you can do something in this area. I think it's your biggest management challenge. I don't think Goldwater-Nickles, things like that, are so broke that you can't fix like that pretty easily, but this thing of -- the built-in problems you have in management in procurement and only procurement, but in management once the stuff is procured and is out there, is just -- the situation is abominable. And we have stacks of GAO hearings that high that, as I mentioned to you the other day, that you have available over there also. And I just hope you can get on top of this thing and really bring some sense out of the management over there that can save us tens upon tens of billions of dollars.

MR. PERRY: Senator Glenn, I'm sorry to report that I think you are understating the problem.

SEN. GLENN: Yeah.

MR. PERRY: I have spent a lot of time looking at this past year, including reading through the voluminous correspondence between you and this committee on the problem, most of which was answered by letters saying that it's not a problem or that it's quickly fixed. And I'm sorry to report that you are on exactly the track of a very important problem. Our financial procedures, our financial data processing systems, our financial processes are obsolete and inadequate to the task.

We had a very long, off-site meeting a few weekends ago concentrating on what action plan we could put together to try to start getting that turned around. I'd say the good news to you is that the problem -- we do recognize now the problem. We will acknowledge the problem. Indeed, we would invite this committee having hearings where we would describe to you our opinions of the problem and what actions were taken to try to deal with it. The bad news, however, is that -- as I see it is that this problem has been so long -- has been so firmly entrenched and we are so far behind in our systems that it is going to take a good many years and a good -- and a substantial investment to dig us out of this hole.

And so, in terms of the savings which we can accrue, which I am confident are there, we are going to have to front-end load with investments in new systems before we can have the hopes of achieving these savings. So like many of the management reforms that we're looking at in the financial area and the acquisition reform area, and also like the budget savings we hope are going to come in the base closing area, all of them are attendant with front-end investments.

SEN. GLENN: Well, my time is up, but I just want to implore you, anytime you think you need some new legislation in this area of making the whole place run better and we need to short circuit whatever it is to -- or make some corrections to get Civil Service jerked up some way so they can perform better and the military people leadership and the whole civilian leadership over there, anytime we can

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do anything that can help in that area, because you're going to be on the front line trying to correct these things, please let us know so we can help and get in and work together either confidentially or however we do it to get the thing fixed. It has gone on far too long. We're wasting many, many, many billions of dollars.

Thank you very much, Mr. Chairman.

MR. PERRY: Thank you, Senator Glenn.

SEN. NUNN: Thank you, Senator Glenn.

We are going to have two votes at 11:00 back to back, and so what we'll do, I'll recognize Senator McCain, and we'll go to approximately 10 after to give everyone a chance to leave in time to vote, and then we will come back and start back at 11:30. So we'll take approximately 20 minutes.

Senator McCain?

SEN. JOHN MCCAIN (R-AZ): Thank you, Mr. Chairman.

Dr. Perry, I congratulate you on your nomination. I believe you are well qualified, and I know that you will be confirmed by the Senate by an overwhelming margin. I'm concerned, as you know, about many issues that we've discussed over the years. I see us unable to appropriate and man a force structure as envisioned by the bottom-up review in this five-year defense plan as presented by the Clinton administration. I see an erosion in readiness. I see us unable to recruit and retain the quality men and women that we have been able to attract and keep in the past. I see us on a slippery slope, Dr. Perry, that is very dangerous to this nation's national security interests. I believe I can back that up with the facts and the opinion of the men and women who are presently serving in the military from top to bottom. I know that that is a pessimistic view, but when I see that compounded by the incredible pork barrel spending and unnecessary waste on projects such as the Sea Wolf submarine, I am even more alarmed.

I would like to talk to you for a moment about Korea. I have seen us adopt a policy of accommodation that borders on appeasement, which has had predictable results. In return for asking the North Koreans to comply with a treaty which they signed, asking them to comply with it, we have offered them

economic aid, we have offered to cancel the military exercises which have been an annual event for the last 40 years, and we have also dangled other carrots in front of people who don't understand. In fact, the result has been predictable, and that has been more and more intransigence on the part of the North Korean government and leading us closer and closer to a confrontation which has consequences which I don't think any of us can predict.

Dr. Perry, the commander of the U.S. forces in Korea has requested the dispatch -- has urgently requested the dispatch of Patriot missiles to Korea. Do you support that recommendation?

MR. PERRY: Yes.

SEN. MCCAIN: When will we see a decision on that, Dr. Perry?

MR. PERRY: We will reach a decision on that, I believe, within a day after we have completed our coordination with the government of South Korea, which has -- with whom we are consulting now.

SEN. MCCAIN: Are you concerned about what seems to be a ratcheting up of tensions between North Korea and the United States?

MR. PERRY: Yes, I am, very much.

SEN. MCCAIN: What should we be doing then, Dr. Perry?

MR. PERRY: We should be first of all putting at the center of our objectives trying to keep North Korea from being a nuclear power. We have already had the discussion about what that word means. I am unhappy with them having one nuclear bomb, which they may already have, but I am even more concerned about the extensive program development they have underway to develop what could be dozens of nuclear bombs. We do have an opportunity to stop that, and I think that should be the first goal of our program. And we should start off with aggressive diplomatic means, and those diplomatic means can include both carrots and sticks. I have no objection to carrots. This is a big, important problem. If we get it wrong, the carrots will seem small in comparison with the price we will --

SEN. MCCAIN: I'd like to see a stick.

MR. PERRY: We have -- there are sticks downstream also. I'm not anxious to

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precipitate the use of sticks.

SEN. MCCAIN: Well, then let me ask if you agree that the leverage that we could employ on Korea to moderate their behavior is to a large extent dependent upon China, China's influence on Korea.

MR. PERRY: I think we will be confronted very soon. We may be confronted very soon with a decision on whether to impose sanctions on North Korea -- we being, in this case, the United Nations -- and whether the United States should support that move. That is a very big stick. The effectiveness of that stick depends on it being fully supported by China and Japan.

SEN. MCCAIN: Should we then emphasize to China that human rights are an important issue with us, what -- however, the North Korea issue is far more significant?

MR. PERRY: I fully support our efforts to bring China into compliance with the human rights provisions which we have discussed with them. As important as the problem is, it could -- it will pale in comparison with the prospects of a nuclear war on the Korean peninsula.

SEN. MCCAIN: Well, the reality is that the only nation that most of us know of that has significant influence over Korea is China, and so far, China has rebuffed all of our efforts to get them involved. And frankly, unless we apply more pressure on China -- which we do have some ability to do so -- we're not going to get the kind of -- the scenario that you just envisioned.

Dr. Perry, you will continue to support another Seawolf submarine?

MR. PERRY: Yes, I will, Senator McCain. I know you're not happy to hear that, but I do believe it's crucial for maintaining an industrial -- our industrial base in that field.

SEN. MCCAIN: Will the Defense Department or the administration be supporting a pay raise for the men and women in the armed forces, or will they leave it up to Congress again -- it's now called, quote, "congressional-mandated pay raises" -- or will they leave it up to Congress again to appropriate the pay for the men and women in the military?

MR. PERRY: You will see in the '95

budget, in the outyear budget submitted to you next week a Defense Department proposal for pay raises.

SEN. MCCAIN: One of the areas of contention that affected your predecessor was a \$30 billion shortfall — some call it \$50 billion, some call it \$100 billion shortfall — over a five-year period in the Defense budget. That's not counting the monies that are spent for non-defense reasons. Can you tell us what that shortfall is as far as you know?

MR. PERRY: The shortfall can be almost anything you want it to be if you are free to make your own estimates of inflation. But based upon the estimates of inflation coming from the official government — U.S. government sources, it would be about \$20 billion.

SEN. MCCAIN: Thank you, Dr. Perry. And again, we appreciate your willingness to serve, and we look forward to working with you.

MR. PERRY: Thank you, Senator McCain.

SEN. NUNN: Thank you, Senator McCain.

Senator Shelby — and this will be the concluding round before we take an approximately 20-minute break. We have a vote on now, but we have time, I think.

SEN. SHELBY: Thank you, Mr. Chairman. Congratulations, Dr. Perry.

MR. PERRY: Thank you, Senator Shelby.

SEN. SHELBY: I know you will be confirmed, I will support you.

Subsequent to the Persian Gulf War, a number of veterans of that conflict have requested medical treatment for a variety of symptoms which have been loosely grouped under the rubric Persian Gulf Syndrome or Persian Gulf Illness. Due largely to an inability to accurately define the causes of this illness, the afflicted veterans have faced uncertainty and skepticism in addition to their illness. Throughout this period there has existed, rightly or wrongly, a perception that the Department of Defense has dragged its feet or been slow to recognize the plight of these veterans. An additional and perhaps related issue involves the possible presence of

34 chemical agents in the theater of operations during the war.

Can we count on you, Dr. Perry, to ensure that the Department of Defense gives this issue the timely attention I believe it demands?

MR. PERRY: Yes.

SEN. SHELBY: Can we count on you to ensure proactively that the department is as forthcoming as possible regarding the presence of chemical agents in the theater of operations during the war?

MR. PERRY: Absolutely.

SEN. SHELBY: Shifting over to ballistic missile defense, Dr. Perry, in our conversation in my office last week we briefly discussed your views on ballistic missile defense. This program has undergone, as you well know, major changes over the last few years, moving from a system that would protect the entire United States and its allies to one which priority is placed on theater missile defense and, potentially, a limited ground base defense against intercontinental ballistic missiles.

What are your plans, Dr. Perry, for ballistic missile defense?

MR. PERRY: First of all, to bring into deployment an effective theater missile system in a timely way. Secondly, to maintain technology development which will allow us to bring the theater missile defense system into operation at such time in the future as it is needed. And as we discussed, Senator Shelby, there's a close relation between those two points, because it's quite possible that the development of the theater missile defense system will be an important launching pad, you might say, for a national missile defense system.

SEN. SHELBY: Where should the U.S. be in the development of theater and ground-based national defense in, say, five years? I know that's a judgment call.

MR. PERRY: That depends very much on the evolution of the threat to the United States in that time period.

SEN. SHELBY: Okay.

MR. PERRY: I would estimate, though, that if five years from now that threat may be — have reached the stage where we have to consider the deployment of a system. I cannot

say that with certainty at this time.

SEN. SHELBY: Sure. How are allies participating in all this, in the ballistic missile defense?

MR. PERRY: As you know, we have a joint program with Israel on the Arrow program in which we are supporting some of the development on that missile system.

SEN. SHELBY: That's working pretty well, isn't?

MR. PERRY: That seems to be working well, but it's early enough in the program that I would not want to make a rush to judgment.

Secondly, we have had detailed discussions, both with our European NATO allies and with Japan, about the possibility of collaborating in theater missile defense systems. Those discussions are ongoing as we speak.

SEN. SHELBY: How much emphasis do you plan to place, as secretary of defense, on national missile defense?

MR. PERRY: Very little until I see concrete manifestation of a threat developing, then very much it will be -- it will go very suddenly to a high priority.

SEN. SHELBY: What are your views, Dr. Perry, on missile proliferation, which has come to the front recently?

MR. PERRY: I believe we should vigorously pursue means to try to prevent the proliferation of ballistic missiles around the world, particularly the long-range ballistic missiles. We are doing that, and we're doing it at some cost to other objectives that we have, but I believe those costs are worth paying.

SEN. SHELBY: Dr. Perry, a blue ribbon commission has been formed at the direction of Congress to report on the issue of the maintenance and overhaul of our weapons systems, as you well know. What will be your role in this study, what are your thoughts on this issue, and do you believe that public depots are part of the defense industrial base?

MR. PERRY: Yes, I believe public depots are a part of the defense industrial base. I believe that each of the services -- speaking of the public depots, I believe that each of the services will define a core set of depots which they will want to maintain and sustain for those core missions. I also believe that it is very

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important that in those areas where cross-servicing can produce efficiencies that we employ that cross-servicing. By that I mean, for example, in the field of tactical aircraft that the Navy and Air Force depots which maintain tactical aircraft can both compete for --

SEN. SHELBY: What about the Marines and the Army, too?

MR. PERRY: The Marines and Army is also right.

SEN. SHELBY: Same thing.

MR. PERRY: Across all of the services.

SEN. SHELBY: Okay. What -- what will the Air Force long-range bomber force look like in the year 2000, just six years from now, in your judgment at the rate we're going, at the attrition or retirement rate of the B-52s and the aging of the B-1s and the B-1B, and then a small, it seems like to a lot of people, relatively small force of B-2s?

MR. PERRY: It will be converging to a much smaller force than it is now. I would estimate about a hundred bombers. There will be 20 B-2s. I do not believe it is likely that we -- will see -- that we will fund -- provide the necessary funding to go beyond 20 B-2s.

SEN. SHELBY: Are we getting toward a dangerous level there of bombers if bombers are going to be a part of the -- an important -- play an important role in our national defense?

MR. PERRY: If I could distinguish in my answer between the strategic role of bombers --

SEN. SHELBY: How's that?

MR. PERRY: -- because the role is in delivering nuclear weapons and the --

SEN. SHELBY: There is a difference.

MR. PERRY: -- and conventional. A very big difference.

I believe that a hundred is more than adequate for any strategic missions which I can envision during this time period. The issue really revolves around the extent to which we want to use bombers for the delivery of precision conventional munitions. And 20 B-2 bombers -- the B-2 would be the platform of choice for that job, and 20 is thin, is the number to do that.

SEN. SHELBY: Twenty is a thin number, though --

MR. PERRY: Yes.

SEN. SHELBY: — you will admit.

Mr. Chairman, my time is up. Thank you.

MR. PERRY: Thank you, Senator Shelby.

We'll be back at 11:30 at which time Senator Coats will be recognized.

(Committee recesses for vote.)

SEN. NUNN: (Sounds gavel.) I believe in our normal rotation it would be Mr. Coats, but Mr. Lieberman, why don't you go ahead and take your time now, Senator Lieberman, and we'll get Senator Coats when he comes back.

SEN. JOSEPH I. LIEBERMAN (D-CN):

Thank you, Mr. Chairman.

Good morning to you, Dr. Perry. I join the others who have enthusiastically welcomed your nomination. And it's great to say that we're welcoming the nomination not based just on reputation but by experience working with you.

MR. PERRY: Thank you, Senator Lieberman.

SEN. LIEBERMAN: I was thinking about a quote from John Gardner that I saw once where he said some people may have greatness thrust upon them; very few have excellence thrust upon them. And in this case, the president I think has given you the opportunity for greatness, if I can put it that in serving as secretary of defense, but the excellence you did yourself. And it's a great combination of talent meeting opportunity.

I wanted to begin my questioning by pursuing a line that — a line of questioning that Senator Cohen raised but in a little bit different light, and that is to ask you to comment on recent developments in Russia as they affect our defense planning. We've seen the issuance of a new military doctrine, we've obviously seen the instability in Russia over the last six or eight months: the troubles in October that led to President Yeltsin calling out the military to suppress the opposition, then the election in which Zhirinovskiy got an unexpectedly large vote.

I read a statement recently, I believe it was by the minister of defense there. I'm sure — I'm pretty sure it was — a high-ranking military official saying that they were now going to head back toward a goal of two and a

36 half million people in uniform as opposed to going down to one and a half million. It's clear that the role of the military is increasing. Certainly the civilian leadership has a debt to the military because they, after all, secured the continuance of the Yeltsin government, and there's a concern that a lot of us have that because of the domestic instability we may see a renewal of a more expansionist Russian foreign policy, not far-flung to Cuba or Angola, but certainly toward, perhaps, to Ukraine and the Baltics.

So I wondered how all of this plays into our defense planning at this point.

MR. PERRY: It plays in a very important way, Senator Lieberman. But we're approaching it both from a positive and a — we're looking at both the positive and the negative aspects of this. The positive point of view, it influences our policies in that we are doing everything we can think of to do, everything we know to do to help influence this situation in a positive direction.

What we see going on in Russia today has some of the uneasy resemblances to the problems in the Weimar Republic in the early '30s in Germany. But to make that historical analogy does not mean that the consequences of the Weimar Republic have to follow in Russia. Part of the problem with the Weimar Republic which led them to take the disastrous course in history they took was at that time in history they had no friends, no supporters, nobody working with them to try to help them through their many problems.

So one thing that is clearly different in this case is the ability and the clear conviction of the United States to be of assistance in this regard, and we are very actively involved in doing that, as you know. Having said that, that doesn't mean we are then forecasting that our systems will therefore solve the problem. Ultimately this depends on the Russian people's choices in actions and decisions.

One of the things we are doing in our defense, then, to contend with the possibility of a reversion to some sort of a totalitarian government in Russia is pushing through the Partnership for Peace with NATO. Now, the Partnership for Peace has two different aspects

to it, one of them is we and the other European nations offering to assist the new democracies in the former Warsaw Pact countries. But the other aspect of it is it provides a basis for expanding NATO as a military alliance if that ever needs to be done, which we hope does not need to be done.

So — and the other aspect is is that we cannot look at our military requirements today simply in terms of present threats. We always have to look ahead where our future threats may be, and one of the principal reasons for maintaining our industrial base is that we have to be prepared for changes in the geopolitical scene which may introduce greater threats to us in the future — not just from Russia but from any different source from which that could occur. So we must continue to maintain a reasonably strong industrial base so that we can — if we ever have to lean on it, we have it there in its minimum essential form.

SEN. LIEBERMAN: I appreciate that answer, and it — and it leads me to my next question, which is about the industrial base. You've been a leader in a rational policy here in trying to distinguish between technologies — military technologies that have dual use and some that are defense-unique. And obviously, as you and I have discussed, that has interested me not only in terms of the general national security policy, but in terms of Connecticut, the unique status of the submarine industrial base and the tank industrial base — in our case, the tank engine industrial base. I gather that you withstood a brief but harsh attack from Senator McCain on the subject —

MR. PERRY: (Laughs.)

SEN. LIEBERMAN: — of submarines, and I thank you for your firmness there. I'd just ask you if you would comment generally on how you see our responsibility and relationship to the defense-unique industrial bases such as submarines and tank engines.

MR. PERRY: Well, let me take submarines as an example, because it illustrates the point — the problems we have in maintaining an industrial base.

Based on our projected needs for submarines operationally deployed for the rest of this century, we would not have to build

more submarines between now and the end of the century. We could meet that operational need without building more. But we believe that on any military scenario we are considering we would have to begin rebuilding then at the turn of the century. And the principal consideration that we made then relative to the submarines was, was it better planning to shut down the submarine line for the next five years and then try to restart it at 2001, or should we sustain it at a low level of production between now and then so that when we needed the production then going into the next century we had a warm base from which to work?

And we concluded that the latter was more efficient, more effective over the long term. It is not — it is not — it costs us front-end money, near-term money to do that, but it saves us, it actually saves us money over the long term to do it that way.

SEN. LIEBERMAN: Thank you for your thoughtful comments. I appreciate it.

Thank you, Mr. Chairman.

SEN. NUNN: Thank you, Senator Lieberman.

Senator Coats.

SEN. DANIEL R. COATS (R-IN): Thank you, Mr. Chairman.

Dr. Perry, I want to add my congratulations to you for your nomination, as I —

MR. PERRY: Thank you, Senator Coats.

SEN. COATS: — indicated to you before but also express publicly there's no question I believe in this panel or even in the Congress about your experience or competence or commitment to this job. I think the question is, as has been suggested before, why would anybody want this job at this particular time?

MR. PERRY: (Laughs.)

SEN. COATS: It's almost as if the Redskins were in a situation where they offered a job to a new coach but the owner said "I no longer have all that much interest, I have other priorities. By the way, we're going to substantially cut your budget, but we still want you to produce a Superbowl winner." I guess my question is can that be done? Can we still produce a team capable of winning the Superbowl if called upon, given



the lack -- or the diminished, I should say, commitment on the part of Congress, the president, and maybe the loss of interest even by the American people? That's a daunting challenge, and when you look at the numbers and the way they all add up, it makes you wonder whether that can be accomplished.

MR. PERRY: Senator Coats, I have confidence that we can accomplish this, but I believe it will be very, very difficult, and I also understand I cannot do it -- we cannot do it in the Defense Department by ourselves. We will have to work in close harmony with the Congress in order to accomplish this difficult task.

The -- I believe that the world we are in today allows us to safely reduce the number of forces we have deployed, the number of bases that we have maintained through the Cold War, and that is a major part of the budget savings that are in this budget that is -- has been already sent to the Congress for Fiscal '94, and will also be true in the Fiscal '94 submission. And indeed, this budget reduction has been going on since -- as you know, since 1986, and I believe that is consistent.

The challenge is the challenge that's faced by any manager that is trying to, as they say in industry, downsize to reduce the size of an enterprise. That's the most difficult management task, and the particular challenge we have is to do it in such a way that we can maintain the readiness of this force. We can, I believe, safely have a smaller military force, but we cannot safely have a smaller military force that is hollow, that is not ready to fight.

So my principal challenge will be to manage this drawdown in such a way that the smaller force that comes out at the other end of it will be man for man, woman for woman, unit for unit at least as good as the forces we had when we went into Desert Storm, and I believe that is achievable.

One particular point to make on that is that it will require substantial trade-offs in the budget we submit to you. And in the budget which you will see coming in to you next week you will discover that even though we have a smaller force projected for '95 than for '94 that we have asked for greater funds,

38 substantially greater funds for the operation and maintenance account, and that is because that is the account which is the principal driver of near-term readiness. We have reduced the requests for our modernization account, but we have actually increased substantially the request for the operational readiness.

I might also say that if you compare the O&M budget request for '95 and compare it with 20 years earlier -- '75, during the period when we had the so-called "hollow force" -- that even though our force was 30 percent larger at that time, our O&M request is 40 percent larger. So there's a very dramatic difference in the emphasis we're putting on readiness, and the clearest, most concrete manifestation of that is our request for O&M funding.

SEN. COATS: Is that sustainable over a five-year period?

MR. PERRY: We can sustain the O&M funding over a five-year period. The danger, as you well understand, is that if we continue to drive our modernization account down, in time -- our equipment will be aging year for year. In time we will have equipment which becomes difficult to maintain, and that in itself will become a readiness problem.

So there are signs of a readiness problem that could emerge five to ten years from now, and we have to pay attention to that as well.

SEN. COATS: Will the bottom-up review recommendations be sustainable with the -- or compatible with the five-year budget plan? Is what's recommended going to be able to be supported by the five-year budget plan?

MR. PERRY: Yes, with qualifications.

SEN. COATS: And those are --

MR. PERRY: The first qualification is one we've already talked about, and the -- if inflation is allowed to erode the programs that we can actually do, that will give us a problem. We have to find a way of dealing with that.

SEN. COATS: What is that inflation number that's -- what's the assumption on that inflation number?

MR. PERRY: We've just taken the latest government estimates of inflation for the five-year period and factored that into our

calculations of all of our programs. That's what caused the \$20 billion rise which people have been talking about in the defense budget. If that inflation does not come back -- if the inflation actually is that high over the five-year period, then we will have to find some way of dealing with that \$20 billion deficiency. So that's one problem.

Another problem is that we have to be successful in introducing the force enhancements which were postulated in the bottom-up review, including increased mobility. And so we have to succeed on the C-17 program, which as you know is a troubled program, but that's another assumption we make there. And we have to succeed in some of the management initiatives which we've described to the committee today and at previous times to gain the efficiencies which will allow us to divert money from overhead into our forces.

Dr. Perry, my time has just expired but I just wanted to leave you with this. I'm aware that the department is in the process of drafting regulations concerning the question of homosexuals serving in the military. I'd just like to strongly reiterate to you the feelings of a number of members on this committee, that those regulations and directives faithfully implement the statute that was put together after a lot of hard work by this committee last year. And I know that you're committed to that, but I just want you to understand the strong feelings about members of this committee, myself included, about making sure that they faithfully implement both the intent and the actual statute that was enacted.

MR. PERRY: Thank you, Senator Coats. I fully understand that.

SEN. COATS: Thank you. Thank you, Mr. Chairman.

SEN. NUNN: Senator Coats, on that subject, as you well know, our general counsel, Mr. Effron, has been working very closely, with your staff and with the DOD people, reviewing the proposed regs and going over them, making sure that they are consistent with the law and making sure that they are understandable in the field, which is an important element here, and also making sure,

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to the extent that regs can do this, that --

SEN. THURMOND: Minority counsel is, too.

SEN. NUNN: Yes, I mentioned minority counsel. I thought I mentioned it. That they're also sustainable under any inevitable court challenge. The regs, I believe, are supposed to be made final this week, about Friday. And so we'll continue that process in working with minority counsel as well as yours, and certainly working with Jamie Gorelick and the other team over at DOD.

Senator Bingaman.

SEN. JEFF BINGAMAN (D-NM): Thank you, Mr. Chairman.

Dr. Perry, congratulations on your nomination, and I, like all the others on the committee here, I'm sure, plan to support your nomination and wish you well.

MR. PERRY: Thank you, Senator.

SEN. BINGAMAN: When you were last here for confirmation in June, I asked you about the general area of defense conversion and reinvestment, which I know is a subject you have great interest and experience and knowledge in. And particularly, I asked about the technology reinvestment project -- the TRP that has been initiated out of ARPA, but with the help of a lot of other agencies as well, and your answer was that you felt that was useful, particularly because of the leverage that the program was able to achieve by working with other agencies, also by working with the private sector.

I guess -- first, let me just report that I do think that the TRP has worked well in the time since then. I see it in my own state, our national laboratories, Sandia and Los Alamos, are very actively involved in some of those TRP projects with the private sector and I think that's good.

I wondered if you would have any general comment about whether DOD would intend to support the Technology Reinvestment Project in the future and whether you think this general approach to leveraging DOD's investment by calling on the private sector to also commit funds is one that can be used in other parts of the R&D budget as well.

MR. PERRY: I think, Senator Bingaman,

it was a brilliant idea. It is not mine, so I can say that, but I recognized its effectiveness when I first heard of it, and I believe it's being very effectively implemented. When we spoke last spring, I was enthusiastic about the idea, but we did not yet have the experience with implementing, and it has turned out to be even more successful than I would have imagined at that time.

Two comments about the future -- the first is that I see a TRP program in our future for the indefinite future, and you will see in the '95 budget submitted a -- not only a continuation, but an increase in the funding requested for the Technology Reinvestment Program. And the second comment is that the goals we're trying to achieve with TRP are also achieved with other dual-use programs, and so one needs to look at a whole extent of the dual-use programs. They come to -- the last I looked at the figure, it was close to \$2 billion in the program, our dual-use technology programs of one sort or another, the most significant of which and the pilot ship of the whole program is the TRP.

SEN. BINGAMAN: I'll also ask you about another subject you are passionately committed on, and that is procurement or acquisition reform which you referred to in your opening statement. As you know, we have legislation that you have substantial input into -- S. 1587 -- that we are hoping to move ahead with, it's Senator Glenn's bill which I am co-sponsoring, and we hope we can move ahead with that very rapidly.

But another part of the problem, as I see it, to this integration of the defense sector with the industrial sector more generally is the DOD requirements process, and I think you've referred to that in some of your earlier statements.

I wanted to know what you think can be done within the Department of Defense to deal with that problem of this layering on of defense-unique requirements, many of which are not necessary in order to accomplish a recognized purpose -- if there's some way to get that requirements process better under control so that we can make better use of commercial products.

40 MR. PERRY: There are two different ways that we are addressing that, Senator Bingaman. First of all, the requirements have to do with the basic statement of military need for a system. There is a continual history of those requirements often being overstated, and so we end up building a more complex system, paying more for the system than we need to. The solution to that problem, as I see it, is very close communication and exchange between the military people who are setting the requirements and the acquisition people who are going to have to execute them, so that the requirement process is informed by a careful judgment as to what the consequences of the requirements will be when they are implemented in acquisition. That's one aspect.

A second has to do more with the detailed requirements in the system, the very specifications it's put on. There we are addressing that through what I described before as process action teams under the direction of Colleen Preston, who's the deputy undersecretary for acquisition reform. And there, we are changing the process and the instructions that go to our program managers, the people who set these requirements, advising them of the importance of not overstating or overspecifying systems, and fundamentally setting up a process by which commercial specifications and standards will become, as computer people say, the default solution. They will become the standard of how we will do business, and only when the program manager can make a case for using the more complex and more expensive requirements that the military uses will they be allowed to be entered into the system.

SEN. BINGAMAN: That's all I had, Mr. Chairman. Thank you again.

SEN. NUNN: Thank you, Senator Bingaman.

Senator Byrd.

SEN. ROBERT BYRD (D-WV): Dr. Perry.

MR. PERRY: Good morning, Senator Byrd.

SEN. BYRD: Some are born great, some achieve greatness, some have greatness thrust upon them. I hope that you will not be overly

apologetic about being soft-spoken. Some of our illustrious predecessors on this planet were soft-spoken -- George Washington, Robert E. Lee, Omar Bradley, Abraham Lincoln, Jesus. You stay just what you are. The reason you're going to get an overwhelming vote if not a unanimous vote is because you're you.

Senator Warner and I were co-sponsors of legislation that became law last fall. It created a joint committee for review of proliferation programs of the United States. It was opposed by the State Department, National Security Council, Department of Energy, and others. You're going to be the chairman of that joint committee.

I know that we share a growing concern about the proliferation of weapons of mass destruction and a conviction that the United States must focus attention on developing and fielding tools to help us detect and counter nuclear, chemical and biological weapons. The spread of these lethal capabilities is not only a diplomatic and export control problem but also a military problem. Are you going to take hold of this chairmanship and deal with determination and force and make it work? And in your view, how can the Department of Defense better address this issue?

MR. PERRY: Senator Byrd, the answer to the first question is yes. I know of no problem with which I will be confronted more important than the problem of proliferation of weapons of mass destruction. We see in the Korean Peninsula today the kind of political problems that we're facing, the danger even of military conflict, that is suggested by the failure of our counter-proliferation methods. So this has to be at the top of my priority, and it shall be.

- SEN. BYRD: Can you make that committee work?

MR. PERRY: I believe I can, first of all, because I will not stand alone in my conviction that this is an important problem. This is a conviction which is shared by my colleagues in the national security establishment and indeed is shared by the president, vice president and national security adviser and the secretary of state. So I see this as being an easy assignment in one sense, which is you do not have to

41 convince people of how important the problem is. The difficulty is formulating programs that can advance the cause. And some of these programs are simply becoming smarter and more effective in export controls.

And here, I have very strong views that we have weakened our export controls in the past by trying to extend them to too many things for which they were not necessary. So, on the one hand, I want to reduce -- remove export controls on the technologies and products that are not relevant to this problem and focus all of our export control activity on precisely this problem.

SEN. BYRD: Your mention of Korea and the Korean peninsula leads me to this question: What is the degree of your comfort level with our intelligence capabilities as we look back upon Iraq, Somalia, and some of the other areas of the world that have given us problems?

MR. PERRY: I think the United States has the finest intelligence system in the world, and by system I mean both the technical equipment and the people involved. But the one area that it is least effective, the one area in which it has the hardest time coming to confident judgments is when it is dealing with a completely closed society and where the -- it is trying to determine intents -- the intention of leaders about whom we know very little. And that situation describes North Korea. So, while in general I have great confidence in our intelligence capability, I am concerned very much about our ability to assess accurately what is happening in North Korea with respect to nuclear weapons, with respect to any military intentions they may have.

SEN. BYRD: Dr. Perry, the administration is supporting a supplemental request for, I believe, about \$1.1 billion to pay U.S. peacekeeping arrears, among other things, to the U.N. In the future, the administration is considering funding all Chapter 7 peace enforcement actions out of the defense budget with traditional Chapter 6 peacekeeping funding continuing to come from the State Department budget. As we know, U.N. peacekeeping and peace enforcement missions have become more costly, even as

finding funds has become more difficult. Peace enforcement missions, involving larger numbers of more heavily armed troops, are much more costly than traditional peacekeeping and observer missions.

The administration has proposed funding Chapter 7 peace enforcement missions, possibly even those in which the United States does not actively participate, from the defense budget. Can you assess the impact of such a decision on the Defense Department budget and planning process?

MR. PERRY: This is something that we can deal with quite effectively in our budget planning and processing, provided that either we are able to forecast contingencies and budget them ahead of time, which will not happen very often; or alternatively, when we have unexpected contingencies develop that require these commitment of resources, that we can come back to the Congress and request them post facto. And that is exactly what we are doing with the supplemental request which we have just submitted to the Congress; we are requesting, after the fact, the funding for the military operations contingencies with which we've been involved in the last year.

The alternative to getting those operations funded on a supplemental appropriation is that the money simply will come out of the services readiness, which indeed will happen if we do not get the supplemental appropriation. That is, the money has been spent, it has come out of the money — it's typically the services operation and maintenance account, and therefore if it is not reimbursed the readiness will suffer accordingly.

SEN. BYRD: Thank you, Dr. Perry.

Thank you, Mr. Chairman. My time is up.

SEN. NUNN: Thank you very much, Senator Byrd.

Senator Smith.

SEN. ROBERT C. SMITH (R-NH):

Thank you, Mr. Chairman. Mr. Chairman, I ask unanimous consent to have my statement entered into the record.

SEN. NUNN: Without objection, it will be.

SEN. SMITH: Welcome, Dr. Perry. I share the sentiments of many of my colleagues

42 and I'm sure that you will move speedily and pretty close to unanimously if not unanimously through the Senate, and appreciate the courtesies that you have shared with me in the meeting yesterday and other meetings that we've had over the past year.

Just three or four quick points that I'd like to touch on. I'm very troubled by what appears to be a growing bias against the public shipyards, in submarine maintenance specifically but perhaps even in public private yards debate in general, especially over the past three years. In the past three years we've seen that private yards have won virtually every contract, every competition they've entered, even though in many cases, as you know, their bids were higher than those of the public yard and so the taxpayer is footing the bill.

This seems to result, as you know, from the Navy's application of these comparability factors. And while the comparability factors are supposed to create a level playing field between the public and private sector, you know, the reality is they're distorting competition and in many ways disadvantaging public yards.

The question is, would you agree to investigate this matter thoroughly and look into it and try to correct — work with me and others to try to correct these problems, and do you believe they are problems?

MR. PERRY: I will unequivocally commit to that, Senator Smith. In fact, we have already started the investigation, and we will be happy to consult with you as we proceed on this investigation. It's broader than the shipbuilding. It has to do with the whole maintenance and — the whole base we have for maintenance of military equipment.

SEN. SMITH: Well, I appreciate that because I really do think it is a problem. And as you know, there was a pretty devastating memorandum in the New Hampshire press regarding some very derogatory statements made by military officers, CINCs, to be exact, about the private-public debate, that the public yards simply weren't doing the job and the private yards were better, et cetera, et cetera, et cetera. So I hope that we would — I

appreciate your willingness to look into that, and look forward to working with you on it.

One comment in regard to what Senator McCain said about the Sea Wolf. I guess the question — I share Senator McCain's view on the Sea Wolf, but you're made your position clear on that and I don't want to argue it. But at what point does the cost outweigh the industrial base and the operational morale for buying more Sea Wolves? Isn't there some line of demarcation here?

MR. PERRY: Yes, there is, Senator Smith. I can't give you an exact number, but I can tell you we were close enough to it in the Sea Wolf consideration. That was a very difficult decision which occupied us a lot of time and went through a lot of debate and discussion.

SEN. SMITH: But you know, from my perspective, wouldn't we be better off refueling the existing 688 class submarines at a cost of, say, \$250 million per sub rather than building a \$2.5 billion sub? I understand the logic and the rationale of keeping the industrial base open, but at what price?

MR. PERRY: That was certainly an alternative we looked at. We also looked at the alternative of shutting down the base and then reopening it around the turn of the century. All of those are viable solutions to the problem, and I cannot profess to having — being infallible and making that kind of a judgment. But it was — we really gave that our best shot and went into it without any preconceived notion as to what the answer should be.

SEN. SMITH: Do you share the view of many in the current administration and in the Congress that the Vietnamese embargo should be lifted?

MR. PERRY: My views on that embargo are that if we can improve our prospects of advancing a determination of the fate of the POW-MIAs which we still have from that Vietnam War, if we can improve our prospects by lifting the embargo, we should do it. And if we would not improve those prospects, we should not. I have talked to the commanders in the field who are overseeing that operation, have gotten their judgment that we are having — we've had substantial improvements in the

43 last year in this area and further — the judgment that we could have further improvement by continuing working cooperatively with the Vietnamese government on this. That's a very difficult call, and I know that's an area, Senator Smith, where you have worked very closely. So that would be my basis for a decision there, Senator Smith.

SEN. SMITH: Well, this was played out pretty well on the Senate floor and I don't wish to debate it again. But I know — I do appreciate the opportunities that I've had to talk with many in your administration on this issue. I feel that I — even though I may lose, I've had adequate input — maybe not adequate enough, but I've had input.

I just would — just a final point on that. I would just caution you that there have been two sides to this; one saying all information has been provided, therefore, lift the embargo. The other side says the information has not been fully provided, but if we lift the embargo we'll get it. I'll tell you that all information has not been provided and I think your intelligence community knows that. So it's a risk —

MR. PERRY: I agree with that, Senator.

SEN. SMITH: It's lift and hope, but — but I just have one final question, if I can have the indulgence of the chairman. I'm going to give you a chance to respond to this, Mr. Perry.

There was an article on the front page — not the front page, in the Nation section of the Washington Times yesterday that says, "Perry approves helping China's defense conversion."

MR. PERRY: Yes.

SEN. SMITH: And there's some pretty dramatic statements — there are some pretty dramatic statements here which I find hard to believe and I'd like to let you respond to them. But just quickly he says, "Deputy Defense Secretary William Perry, Clinton's nominee for Defense secretary, has approved a Pentagon plan for a joint U.S.-China commission on defense conversion that critics say will assist Beijing's efforts to obtain U.S. weapons technology. The joint commission, which is in the final planning stages, is part of a new Clinton administration policy that places concerns about China's poor human rights

record second to improved diplomatic and military ties." And then it goes on to say that you're the main proponent of this position.

Could you respond to that? A, is it accurate? And B, if it is, an explanation.

MR. PERRY: The part of the story that is accurate is the part that says that I have approved the formation of a U.S.-Chinese joint commission on defense conversion. Indeed, not only did I approve it, I proposed it. And this is a commission which would be very similar to ones we've already established with the Russians and Ukrainians, for example.

But what is completely inaccurate is that this will assist the transfer of U.S. weapons technology to the Chinese. Indeed, nothing could be farther from the truth. The author of the story apparently is confusing defense cooperation programs, which we have with our allies and which do have that process, with defense conversion. Precisely the point of this program is to help the Chinese convert the production of defense equipment going on in their country to production of commercial equipment. It has nothing to do with U.S. weapons technology. So that is a complete confusion and misunderstanding about the purpose of the commission.

SEN. SMITH: I appreciate you clarifying that. That's comforting to know and restores my faith in you for the moment — (laughing) — to know that that's not accurate.

I just — my time has expired, Mr. Chairman. Thank you.

SEN. NUNN: Thank you, Senator Smith.

I believe Senator Robb has not had — you have not had a first round, have you, Senator Robb?

SEN. CHARLES ROBB (D-VA): No, Mr. Chairman, I have not, and I thank you. I regret that I had several conflicting appointments. I was in here for a few minutes. I heard part of Dr. Perry's testimony and then had to preside, and I appreciate having an opportunity to complete this round.

Dr. Perry, I join with, I believe, all of my colleagues in saying that we universally welcome your nomination and look forward to working with you. I had an opportunity, as I suspect everyone on the committee did, to

discuss some of the concerns that have been alluded to this morning in a private meeting, and I won't go over all of that same territory again. And many of the things that I had planned to ask about this morning have been covered at least in part, and I see that my senior colleague from Virginia has returned and has asked the expected and appropriate and obligatory questions about — (inaudible) — 76, what have you. I suspect that my colleague from Connecticut here may have inquired something about Seawolf or other submarine construction.

I'd like to now, if I may, go to a couple of broader questions that tend to come up from time in a more philosophical context. First of all, I would be interested in any comment that you might like to make about the public versus private competition, the contracting out as opposed to sourcing within, the lease versus buy questions that come up from time to time with respect to either procurement contracts, et cetera. Would you care to suggest anything about your own philosophy as to whether we should look to internal resources first or to external resources and whether or not we should attempt to own as opposed to lease in terms of some of the things that we'll be doing? I realize generalizations are a little tricky, but any philosophical thoughts that you might have would be useful.

MR. PERRY: I have always favored the Defense Department making the maximum use of the commercial base that is out there. And I think we have not made enough use of it in the past. Not so much because of any philosophies we have, but because we have set up specifications and standards which make it difficult to use that base. I think the taxpayers will be well-served by our shifting the emphasis over to buying more of their products — buying more commercial products instead of military-unique products.

However, this question becomes much more complex when we face the issue of how do we maintain and repair the military equipment we've already bought. And now the question is the competition between the public maintenance facilities and the private maintenance facilities. There I believe that it is

important for the services to maintain some core public facilities which are capable of meeting their minimum requirements and sustain those irrespective of competitive pressures. Beyond that, I think it is appropriate and important to maintain competition as to how the maintenance will be done.

That would be the end of the story except that there's a very great difficulty in conducting fair competitions between private and public facilities. We have through the years devised a system for doing this which basically adds to the bid of a public facility the costs which are not direct costs but which the taxpayer ultimately bears, which is conceptually sound but very difficult to calculate and to implement. And so I have substantial concerns about our ability to implement that kind of a policy appropriately. And as I testified before you came in, Senator Robb, we have established a study and a team that is working on that problem to give me recommendations on how to deal with this public-private issue, particularly with respect to maintenance but not limited to that issue.

Q Let me ask a somewhat related question. This committee this year will be holding hearings on some reform of the armament retooling and manufacturing support initiative. This acronym, ARMS, is of more than passing interest, particularly to certain defense and munitions manufacturers. It is currently handicapped by a lack of authority for loan guarantee for potential opportunities for commercial activity within the wire or the existing perimeter of some existing sole defense facilities. Do you have any sense of whether or not you would be prepared to support that kind of an incentive to attract, in effect, the same kind of dual use that you and I talked about at some length with respect to the elimination of mil specs in terms of procurement but to bring other potential manufacturing entities inside the framework of currently sole military procurement activities that are controlled by DOD?

MR. PERRY: I support that in principle, Senator Robb. Whether I would support a particular program, I'd have to look at the language that formulated it. But I would be

most interested in looking at that and coming to a more precise judgment.

SEN. ROBB: I don't know whether you have been asked any question this morning, I don't know that you and I had an opportunity to discuss it last week when we met, but one concern that is frequently raised and I've heard from a number of folks on both the Guard and the Reserve side is how these two entities are going to be combined, interrelated, what their respective roles will be with regard to the kinds of missions and the kinds of integration that may occur. There seems to be a difference between the perception that is held, I would say, at the headquarters or within the Beltway and some of the field units, at least it has been my experience. Would you care to comment at all or try to sort through that for just a moment?

I see my time has expired, so this will be my last question.

MR. PERRY: I'll just hit quite briefly a few highlights, the first one being that the Reserves will continue to play a role, indeed an indispensable role in the combat support that they have done through the years -- for example, in military airlift but by no means limited to that. In the National Guard, we see a significant restructuring and we think improving the role of the National Guard, not only in the combat support role but in the combat role, and are evolving a program over the rest of this decade which will lead to enhanced readiness and enhanced capability of 15 of the brigades of the guards, which will then be available early on in any military -- in any military contingency in which we get involved in the future to fight side by side with our active duty forces.

So we -- I have very strong -- I very strongly believe that both the Reserves and the Guard must play an indispensable role in our military planning for the future, particularly with the downsizing that's taking place with the active duty forces. But I believe that the procedures and rules that have been set up in the past for them to do that, which were appropriate for the Cold War, are not appropriate for this new world we're in, and the particular issue is increased and speedier



access to the Reserves in emergency and preparation of some number of brigades so that they could (proceed ?) readily and quickly into combat when needed.

SEN. ROBB: I would just add — my time is up — that any expediting that can be done with respect to clarifying and specifying some of the decisions that are made in that area I know will relieve a great deal of anxiety in the field for both Guard and Reserve units that are effected, but I — and I know you are committed to that.

MR. PERRY: I expect to do that in the next three or four weeks, Senator Robb.

SEN. ROBB: Thank you very much, Dr. Perry. My time is up, and I thank you, Mr. Chairman.

SEN. NUNN: Thank you, Senator Robb. I assume we have now completed the first round for all the senators who are present, so we will begin the second round, and I have just a few more questions, Dr. Perry.

Has the Defense Department done any analysis of the possible impact of a balanced budget constitutional amendment on the defense budget?

MR. PERRY: We have done some analysis, Senator Nunn. It depends, of course, on what assumptions you make, but every assumption, under any set of assumptions we can make, we can see the possibility of a very detrimental effect on the Defense Department. When you look at the federal budget and then you go from the full budget down to the discretionary part of that budget, the Defense Department is a very significant fraction of the discretionary budget although it's only a small part of the total budget, and therefore, in any implementation of the balanced budget, the Defense Department would be hit very heavily, and as I have seen — all of the alternatives we looked at, it would not be possible to carry out the bottom-up review or anything like that if a — if the full effect of a balanced budget amendment were felt on the Defense Department as I expect it would be.

SEN. NUNN: Do you have any analysis you could share with us? I would hope you will be presenting the budget next week.

MR. PERRY: We will be prepared at that

46 SEN. NUNN: Could you at that time give us something in writing, some analysis that — because we're going to be debating that subject when we come back in about two weeks, and it will be full-fledged debate on the constitutional amendment to balance the budget, and I think that the effect on the Department of Defense is enormously important.

Of course, all of the results depend on the assumptions you make about entitlements and what happens to entitlements. If entitlements are exempted, as they have been under every other device we've come up with for the last 10 years, then the effect on the defense budget itself, without any doubt, would be extreme.

MR. PERRY: All of the assumptions — we have made an analysis where that the entitlements would be exempted, and that's why that leads us inevitably to a conclusion of a profound negative impact on the defense programs.

SEN. NUNN: Dr. Perry, we had testimony yesterday or the day before — we had a hearing this week — I don't really remember whether it was yesterday — I believe it was yesterday — that Senator Levin's subcommittee and Senator Biden's subcommittee — Senator Levin's Subcommittee of the Armed Services, Senator Biden's Subcommittee on Foreign Relations — had a joint hearing about NATO and the future of NATO and focussed on Partnership for Peace and the NATO summit and where that's going. I was surprised to read in the testimony — and maybe this number was misunderstood — that the total cost was estimated by the administration of the Partnership for Peace to be something like \$10 to \$14 million, and that was presented as the cost not only for the U.S., but for NATO. I just — with ten countries, I don't understand that. Do you — are you up on that? Do you know what the number is? It just seems to me that one exercise, one joint exercise, NATO's part of it would exceed that kind of budget.

MR. PERRY: That number may be correct, Senator Nunn, but it is misleading. I'm sure that that number includes only the overhead and incidental costs that are

associated with the Partnership for Peace: setting up the command and controls and setting up the facilities for doing it. And it further assumes that all of the exercises conducted, that the ongoing costs of those exercises are borne by the countries involved out of their own military budgets. So I would -- to get the full cost of the Partnership for Peace you have to look also at what the attendant costs to these exercises are, because that's going to be the biggest part of it by far. That is not included in that 14 million.

SEN. NUNN: So this is purely a NATO administrative cost.

MR. PERRY: Yes. Yes. It's the infrastructure part of it.

SEN. NUNN: I think we need a more complete picture of this --

MR. PERRY: Yes, we do. But I would hasten to tell you that is -- it's misleading altogether to think of that as the total cost for the Partnership for Peace.

SEN. NUNN: Okay.

Senator Thurmond.

SEN. THURMOND: Thank you, Mr. Chairman.

Dr. Perry, I believe we clearly need to develop the most effective theater missile defense technology will allow if there are some who would restrict the capabilities of THAD on naval upper tier TMD out of concern for the ABM treaty. If confirmed, what steps will you take to ensure the treaty is clarified so that TMD capabilities are not artificially inhibited?

MR. PERRY: Senator Thurmond, I have until now supported the view that you described and will continue to support it.

SEN. THURMOND: Thank you. That's a good answer. (Laughter.) Dr. Perry, many of our senior military officers have expressed concerns that the high operational and personnel tempo are having a detrimental effect on people and readiness. Since it is highly unlikely that there will be additional defense funding to offset the cost of the high operational tempo, what missions do you believe we could eliminate to reduce our operations? If you would like to think on that and supply it for the record, it would be all right.

MR. PERRY: It's a very good question. The reason I hesitate and it's difficult to answer is that our history has been that the operations which cause the problem you're describing are the unplanned operations; they're not the ones that we have planned. But each year we have half a dozen or so major contingencies develop for which we have overseas development, and that's what has been causing the problem. We have -- our best way of dealing with this and which we had at one time proposed to the Congress, was that we attempt to plan ahead of time for a set of contingency operations even though we cannot specify which particular operations. I believed then and I still believe that's the best way for dealing with this problem.

SEN. THURMOND: Thank you.

Dr. Perry, for the past several years, the Department's youth attitude tracking study has indicated a continual decline in the propensity of young men and women to enlist in the armed forces. The latest study indicates the propensity to enlist is down 2 percent from 1992 and 7 percent from 1990. Combined with the public perception that the downsizing reduces a need and opportunity for new enlistees, this increases the challenges in recruiting and retaining quality personnel. How can we best ensure that the services have the necessary tools to make their recruiting goals?

MR. PERRY: I would first of all observe -- I mean, your figures are quite correct, Senator Thurmond -- I would first of all observe, though, that we've just finished the 1993 recruiting year and it was our second-best in history. We not only brought in almost 200,000 new recruits into our armed forces, but we had very high rates of high school graduates and very high rates of recruits in the top 50 percent intelligence bracket. So we are very pleased with the success of recruiting for 1993.

The problem that you're describing, though, is an indicator of problems for the future -- problems we might have in this year or next year. As the propensity goes down, it becomes more difficult to recruit. And I believe the most specific and direct action we can take in that line is to increase our

recruiting budget and increase the intensity of our recruiting, so that we can get the message across that even though we are downsizing our military forces we are still bringing in young people at the beginning of their careers.

SEN. THURMOND: Dr. Perry, last year there was an attempt to reduce the funding for the Selective Service Agency and eliminate its important contribution to the nation's security. What are your views on the mission of the Selective Service Agency?

MR. PERRY: I see no prospect of the Selective Service Agency being used to mobilize manpower in the future — in the foreseeable future. Nevertheless, it is a very small cost to maintain it, and it does — it does provide a capability if this unlikely contingency is met.

In addition to that, it provides an important facility which could be used for other purposes; for example, for some aspects of the National Service program, so I am in favor of keeping the Selective Service system going, but at a reduced level.

SEN. THURMOND: That's a good answer, too. I'm glad to hear you say that. The Senate voted that way this last year.

Dr. Perry, the 1991 and 1993 Base Closure Commissions recommended that 160 bases be closed and another 93 bases be realigned. Despite this significant reduction, we hear stories that the 1995 closures will exceed those of the two previous commissions.

I know we must reduce infrastructure; however, I am concerned that we are eliminating properties which will be irreplaceable in the event of some future mobilization. Why can we not place some of these facilities in a mothball status for later use? Under the current arrangements, the department receives very little for these properties since most are given away without any compensation to the government.

MR. PERRY: That is a distinct possibility, Senator Thurmond, and one which we will explicitly consider as we put our '95 BRAC plans together. We are not at this time committed that BRAC '95 will either be higher or lower than BRAC '93. That is still very much an open question.

SEN. THURMOND: Can you look into that?

MR. PERRY: Absolutely.

SEN. THURMOND: Dr. Perry, as we close bases under the BRAC process, we also close the hospitals which (are beneficial ?) in the area. The active military and their families will move to another base where health care is available. The retired and reserve population will be disenfranchised. The department and the nation have a responsibility to provide health care to these people. The law requires it. Many in the department are willing to turn these groups over to civilian health care providers.

Unless this decision is made on a site-by-site basis, based on short- and long-term cost data as well as military readiness factors, this becomes an easy but perhaps ill-advised way out. In many cases, retaining a military medical facility may be the best alternative. Will the department consider retaining military medical facilities if that is shown to be the best option?

MR. PERRY: You have highlighted what is the most difficult aspect of base closing, which is dealing with the hospitals that are at those bases. We do approach this on a case-by-case basis, and yes, the answer to your question is definitely we will consider that option in every case we look at.

SEN. THURMOND: Since we have the obligation to provide these medical facilities, my opinion is it will cost more to send them to civilian doctors than if the military does it.

Mr. Chairman, my time is up. Thank you.

SEN. NUNN: Thank you, Senator Thurmond. Our normal order would be Senator Hutchison, Senator Lieberman, and Senator Warner. Senator Warner has got to speak at 1:00. If the two of you would permit, I would like to recognize him at this point.

SEN. WARNER: I thank you, Mr. Chairman.

SEN. LIEBERMAN (?): I hope it's a good speech.

SEN. WARNER: I thank my colleague. I'll give you a report back on that.

I want to follow on to the important question of base closure by Senator Thurmond.

Now I realize this very committee originated the legislation, I think it's working, and working effectively. But there's a rumor on the Hill that one out of three existing bases or facilities will be recommended for closure under the current direction in which they're moving. To me, that level of closure would be unacceptable, and I just thought maybe it would be wise to flesh that out now. What's your view?

MR. PERRY: That rumor is wrong.

SEN. WARNER: Thank you very much.

I'd like to just say a few words on the Korean peninsula situation. We've focused this morning -- and I thought that Senator McCain's remarks were particularly pointed on it -- on North Korea, but I'd like to focus a little bit on South Korea. And information has come to me that their government is somewhat concerned about the ambivalent statements emanating from our government. And I would hope that President Clinton personally would soon enunciate with clarity exactly what the position of this country is and that he would stick to it. If he feels that the cancellation of our annual military exercise is necessary, I might suggest he draw their attention -- that is, the North Koreans -- to the fact that their forces are deployed in what military analysts describe is an offensive position. And why not require them to move back at a reasonable distance and deploy their forces in a defensive position?

So I would suggest that the president speak out on this to clarify it, even though you today have done your best. The Intelligence Committee is soon to take up a hearing on the same subject. But I believe that this is of such seriousness that the president should speak to this policy and speak clearly and stick to it.

To NATO --

MR. PERRY: Senator Warner, I would comment on that, that I can assure you that there has been intense and close consultation and discussion, president to president, security adviser to security adviser, secretary of defense to minister of defense, with all the appropriate officials in the government of the Republic of Korea. And all of the decisions we're making affecting that country are made

-48 in close consultation and jointly with them.

SEN. WARNER: The new NATO policy, which incidentally I support and I commend the president and Secretary Aspin, the secretary of state and others who implemented this policy -- I'm deeply concerned, given what we witnessed last fall in the Congress of the United States, where only through the efforts of the chairman, the Republican leader and others, were we able to turn back a very serious and conscientious effort in the United States Senate to pull out all of our forces in Somalia by Christmas. Fortunately, the Senate, in consultation with the president, his representatives, agreed to allow the president to set the date, and he, as you know, set March 31st, to which he's going to adhere.

But as we begin to expand this nation's commitment, were we have to moved out beyond the marker set by the president and the other ministers, I am concerned about the willingness of our country to back up these additional commitments, particularly those involving Eastern Europe, where conflicts could arise from cultural or ethnic or religious disputes, serious questions to the extent to which our country will accept the participation of our forces in those types of battles. So that brings me to the question what is the timetable in your judgment as to the inclusion of one or more of the former Warsaw Pact nations in a NATO membership?

MR. PERRY: Could you repeat the last part of that?

SEN. WARNER: What would be your estimate of the timetable in which we might move towards a commitment, a full commitment from NATO and a full membership by one or more of the Warsaw Pact nations?

MR. PERRY: That's a very good question to which I cannot give a quantitative answer. I could better describe the conditions under which the --

SEN. WARNER: Well, you're still working on those conditions, aren't you --

MR. PERRY: No, I think I can describe them with some confidence right now --

SEN. WARNER: All right.

MR. PERRY: -- in general terms at least,

general terms, at least, that the first condition be that the nation that is a candidate for membership be prepared to take on the duties of NATO membership. NATO, as you understand better than anybody, Senator Warner, is not an honorary society, it is an alliance of nations, each of whom not only gets benefits but has real responsibilities.

SEN. WARNER: That's correct.

MR. PERRY: They have to have -- be prepared to carry out their responsibilities.

Secondly --

SEN. WARNER: Now would that involve building an independent military establishment?

MR. PERRY: It would.

SEN. WARNER: Well these countries don't have the resources with which to even fight their own inflation and other problems today.

MR. PERRY: And that -- and that is one of the reasons why many of these countries are not prepared to take on the responsibilities of a NATO membership.

A second issue is that they have to be a democratic country with civilian control of the military. And third, and this is the condition -- not a condition, but this is the factor which will move us either faster or slower towards bringing in more NATO members, is the extent to which the broader geopolitical situations in Eastern Europe are demanding it. And what happens in the very turbulent countries, in Russia, Ukraine, Belarus, what happens there in the next three or four years will have an important determinate in this schedule as well.

SEN. WARNER: Well the other side of that issue, of course, is Russia. And a former national security adviser to a president has recommended the United States explore some type of security arrangement with Russia so that Russia will not feel threatened by an expansion of NATO. Is that an option that's being considered?

MR. PERRY: Russia has been offered a membership in the Partnership for Peace, just as the other Eastern European, former Warsaw Pact nations have been. And they will -- and if -- and as they join the Partnership for Peace, they will be entering into a security

50 relationship with the United States and with the other NATO countries. This relationship does not involve a security guarantee for any of the countries in the Partnership for Peace, including Russia.

SEN. WARNER: The chairman mentioned that Senator Levin and I have been working on a report for the committee on Somalia, and part of that report will deal with the exercise of civilian control over the special operations forces and the missions that are involved similar to the ones there. Did you have any participation in the daily monitoring of those operations in Somalia in your current position as the deputy?

MR. PERRY: I'm not sure what you mean by daily monitoring.

SEN. WARNER: Well, to what extent was civilian control exercised over those operations such that you could impose a judgment call different than what was flowing through the military chain?

MR. PERRY: The civilian control was manifested by the secretary, Senator Warner --

SEN. WARNER: Secretary Aspin?

MR. PERRY: Secretary Aspin, yes. And that was done through daily policy briefings with the chairmen and with the -- and with the intelligence support team. It was done by reviewing all of the cables that were coming in from the field, it was done with frequent meetings with field commanders. All of those are available to the secretary as a means of manifesting his responsibilities in that regard.

SEN. WARNER: So you don't have any question in your judgment about the degree to which civilian control was exercised over that that might be a guide for future operations?

MR. PERRY: I think we should look intensely and critically at it step by step, detail by detail and see what lessons we can learn from that. I will be looking with great interest at that.

SEN. WARNER: I urge you to do that. And I think that our report, Mr. Chairman, will have some valuable insight into that. I thank --

SEN. NUNN: We look forward -- we look forward to getting that. I talked to Senator Levin, Senator Warner, and I hope we can

have some at least interim report sometime next week from the two of you. You've done an enormous amount of work and we know it's going to take some more time to complete it, but I would hope we could bring the committee up to date sometime next week, either in open or closed session depending on the level of classification.

SEN. WARNER: I thank my colleague.

SEN. NUNN: Senator Lieberman?

SEN. JOSEPH LIEBERMAN (D-CT):

Thank you, Mr. Chairman.

Dr. Perry, I have a question that follows on Senator Warner's about Europe and NATO, and it deals specifically with the very difficult problems in Bosnia. What do you think is the appropriate use of American military force, if any, in Bosnia?

MR. PERRY: First of all, we should apply and we are applying U.S. military resources for humanitarian purposes. We are conducting both airlift and airdrop. The tonnage that we have airdropped or airlifted into Bosnia exceeds by far the total amount dropped during the Berlin airlift. This is a major operation that's going on. It has saved tens of thousands of lives, in my opinion.

Secondly, we have a role there to minimize the violence that's going on in that country. We're doing this through being part of a team which enforces the no-fly zone, which keeps combat tactical aircraft from being involved in that operation, making it worse than it is, and through the threat of air strikes. We have applied that in two different areas; first of all, by offering close air support for the ground U.N. forces if they are in a situation which requires that kind of support. That is available to the ground forces through NATO, and we are prepared to support that activity. Secondly, we have told — we have announced that if the Serbian forces around Sarajevo increase the intensity of their activities, thereby threatening the strangulation of Sarajevo, which is a term we have used, that we would be willing to use air strikes to stop that from happening.

Third, we are using a small number of military forces to minimize the risk of this violence extending to other areas. We do this through the small force which we have in

51 Macedonia as part of the U.N. forces. We have — we may be asked to send substantial military forces into Bosnia to participate in a peacekeeping force if a peace agreement is made there. That would be part of a NATO team which would go in to maintain the peace. We have agreed to consider that under certain very strict conditions. The peace agreement has to be signed. There has to be some evidence that the three combatants are serious about it. We will only do it under a NATO command and control operation, and then only if the United States is a minority, less than half of the total forces there.

And finally, a statement in which we do not see the use of military force, we have no plans to use military force to impose a peace settlement in Bosnia. We are not planning to forcibly enter the country with our military forces to try to impose peace on that troubled country.

SEN. ROBB: But again, I believe I did hear you say that we remain ready to participate in NATO air strikes under the circumstances that you described.

MR. PERRY: Yes. We are ready to do that.

I should have mentioned one other point. If we are called upon to send ground forces as part of a peacekeeping force, on the assumption that a peace treaty is signed, if we were to do that, we would certainly support — we would certainly come to the Congress and consult fully with them before we took this action.

SEN. LIEBERMAN: I appreciate that. I wanted to mention to you that last week on a State Department authorization bill a sense of the Senate resolution was passed urging the president to rescind the arms embargo against the Bosnians and to supply them with appropriate military assistance, meaning in this case equipment, not personnel. And I voted for it, and I hope that — I don't really need a response unless you care to. I hope that you will be part of a policy that will implement that.

MR. PERRY: I have — personally have reservations about lifting the embargo there. I understand fully the reasons why you would

vote for that, and — I'm equally concerned, though, about the possibility that that might actually spread violence instead of minimizing it.

SEN. LIEBERMAN: I understand. Rather than engaging further on that, let me ask you a final question closer to home. In December 28 members of the Senate wrote to Secretary Aspin reciting the fact that the Army, and General Sullivan particularly, the chief of staff, has spoken often about the priority he puts on the development of the Comanche light helicopter and our concern that there may be a production gap that Sikorsky and other participants in the development of the Comanche in 1997 and 1998 which will eliminate a bridge to the Comanche. Normally, with a new nominee for secretary of defense, I would feel I had to educate you on this matter. I have the feeling — (laughs) — you're well informed on it, perhaps knew about the letter. I just wanted to mention it to you and, I guess, ask very briefly whether you support the development of the Comanche and whether these concerns about a production gap are real and what we can do about it.

MR. PERRY: I do support the development of the Comanche more — even more importantly that the Army regards this as one of their highest priority modernization programs for the future. I'm very much concerned about the possibility of an industrial — of a gap in the industrial base necessary to build the Comanche. Not just the main assembler itself, but the whole infrastructure (that underlies ?) that.

SEN. LIEBERMAN: Right. Right.

MR. PERRY: And we are looking and will continue to look very carefully at the whole set of buys, both U.S. Comanche-related, U.S. non-Comanche-related, and non-U.S. buys which can help maintain that base in the future.

SEN. LIEBERMAN: Thank you, Dr. Perry. My time's up. I think your testimony has just validated all the kind words that we all said about you at the outset —

MR. PERRY: Thank you very much, senator.

SEN. LIEBERMAN: — and I'm sure we

all look forward to working with you.

Thank you, Mr. Chairman.

MR. PERRY: Senator Lieberman, we've have staff look into that question on the Comanche, and the only big question is whether the funding for the submarine squeezes out that — (laughter).

SEN. LIEBERMAN: But I think under your leadership we will repeat some biblical miracles and make sure there's enough for both. Thank you. (Laughs.)

MR. PERRY: Mr. Chairman, could I impose one correction on something I'd said earlier —

SEN. NUNN: Yes.

MR. PERRY: — a confusion point. I was asked a question about the bomber force, and the question was asked in terms of what — the size of the bomber force five years from now. I answered the question by talking about what the bomber force was converging to, and there was maybe a confusion between those two numbers. I said it was converging to 100 bombers, which is basically the B-1 and the B-2. But for a good many years in the future and certainly including five years from now, there will also be a number of B-52s in the fleet. And that number will vary from maybe 40 to 70 or so, but there'll be a substantial number of B-52s, certainly for the rest of this century.

SEN. NUNN: Well, I believe you need to take a good look at the conventional bomber and whether we're going to really have enough bomber capability to project conventional power in remote locations, particularly in urgent situations. I really do not think we are, considering the fact that with the B-52s and B-1s you have to deploy a large fleet of support aircraft, have them in the theater, have airfields for them; otherwise they are vulnerable. And I think you need to also take a look at the B-2 and whether we really ought to stop production at 20 or at least preserve the option of going beyond 20. But key to that is how you pay for it, obviously.

MR. PERRY: Absolutely.

SEN. NUNN: And it seems to me — you know, the Air Force did a lot of analysis two years under Secretary Rice showing trade-offs,

so that if you had B-2s rather than B-52s and B-1s, you could get rid of some other aircraft, like F-15s and others. And that's the kind of trade-offs I think we have to look at. If we don't find ways of trading off and getting rid of other force structure, to pay for more B-2s, then I don't think it's going to be possible to do it. But at least I think that kind of analysis ought to be undertaken, so we begin to get a view of whether it's possible. Whether it's needed, I think it's pretty obvious it is. And then the question is, how do we pay for it and what are the trade-offs.

MR. PERRY: Absolutely. The Air Force — the judgment of the Air Force at this time is that they cannot fit the B-2 within their budget line. And the point that you make is a very important and valid point, that they should be challenged to look at those sort of trade-offs and see whether they might come to a different conclusion.

SEN. NUNN: Well, the Secretary of the Air Force made that kind of presentation to the Armed Services Committee and then it's sort of gone with the wind, it's just sort of disappeared, it's not around. I don't know whether it's been completely disavowed, partially disavowed, but I really think that kind of analysis needs to be done, because we get to a decision this year about keeping some modest capability in line even as an option on the B-2 and that option will be gone and the expense of restructuring — redoing that line would be enormous if it's dissipated completely.

I don't know the answer, but I do think those questions need to be answered.

MR. PERRY: That's exactly the way the question needs to be framed, I believe.

SEN. NUNN: Senator Kempthorne.

SEN. DIRK KEMPTHORNE (R-ID): Mr. Chairman, thank you very much.

Good afternoon, Dr. Perry.

MR. PERRY: Good to see you, Senator Kempthorne.

SEN. KEMPTHORNE: Thank you. It's my pleasure to be with you, and I'm pleased at the occasion that brings us together.

MR. PERRY: Thank you.

SEN. KEMPTHORNE: I look forward to supporting your nomination.

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I'd like to focus, if we could for a moment, Dr. Perry, on Somalia. As you know, in January I visited Somalia. And while I was there I learned that there's a request from the State Department, as I understand it, for a platoon or 50 Marines to remain in Mogadishu to provide security for State Department personnel that may remain in Somalia. I understand also that a survey team from the Marine Corps was in Mogadishu assessing — a risk assessment of that situation. And it raises to me the concern, will 50 Marines, is that a sufficient force that they can both provide security to other U.S. personnel and also security to themselves?

One of the things that we seem to keep Levin the hard way is that by not having sufficient force, we have casualties and we have loss of life. What's the status on whether or not 50 Marines will remain in Somalia after March 31st, and is that just a sufficient number that could get us in trouble, and where do we go from this point? If it is too few, does it then suggest that we're going to revisit the question of how many U.S. military personnel should remain in Somalia after March 31st?

MR. PERRY: That's a question which is very much on my mind, Senator Kempthorne. Let me put it in context, though. The request had to do with Marines to protect the liaison office that the State Department would be planning to maintain there — in a sense, the replacement for an embassy. And I would remind you that we have embassies all over the world with Marines protecting them, where if the question were asked "Could this — could these Marines protect that embassy under a determined assault by that nation?" the answer is almost always no. And we — it's not feasible for us to put that size military force everywhere.

Therefore, that's the general situation when we send an embassy or a liaison office — when we establish in another country. In this case, the risk is palpable to the embassy or to the liaison office that is there. It is not academic, and therefore, the State Department, first of all, has to determine whether they're willing to put their embassy team at that kind of risk. And then, secondly, we can determine in



conjunction with them what sort of a Marine force is most likely to minimize the risk to the liaison office and to the Marines.

Now, neither they nor we have a final determination on this, but the question you ask is a very good one, which will have my very close attention in the weeks to come.

SEN. KEMPTHORNE: And, too, is it correct that these are not necessarily the Marine detachment that would be at embassy assignments, but these are the Fleet Antiterrorism Security Team, FAST, company?

MR. PERRY: Yes.

SEN. KEMPTHORNE: Yeah, I met a number of these Marines when I was there, an outstanding group of individuals. But I do think this is a serious question. And also, after March 31st, what is your prognosis? Do you anticipate that the U.S. may have to go in in an evacuation process to get U.S. personnel out of Somalia? And would that also put us in a situation that we would support those foreign troops that would be remaining for peacekeeping if they get in trouble?

MR. PERRY: There are two different issues there. The first of them has to do with the embassy or the liaison office itself. And the concern of having to do that will figure into our decision as to whether to deploy it and where to deploy it and how to deploy it in the first place. The second part of the question, though, is whether we will be prepared for emergency evacuation of other U.N. forces there. The answer is no. As we -- as I read the Byrd amendment, we are not permitted to do that under law, and therefore, we will not do it. And we will so inform the nations who will be keeping peacekeeping forces there.

Now, one other point I should make on this whole issue is that the adequacy of the FAST Marines, this small detachment of Marines to protect the liaison, depends not only on what military actions may be brought against them, but it also depends on the adequacy of the security environment which the U.N. forces are able to create for them. Fifty Marines would not be enough to provide, for example, 24-hour perimeter protection. Therefore, that has to be provided by the U.N. forces there.

54 So it's a very complex issue you raise, and all I can say at this time is that we are working this problem, and I will not sign up to a solution which I think puts our Marines in a situation where they are needlessly endangered.

SEN. KEMPTHORNE: Mr. Chairman, my time has expired, but it is an issue that I just -- I think it's very important that no member of this committee is surprised that after March 31st that there may be U. S. Marines there. We pray there'll be no casualties that would occur, and that we certainly, what the decision is, that we give them sufficient support so that we don't put them at needless risk. And my final comment is that, in our discussion that we had in my office, and I appreciate the courtesy of coming by, we talked about the role of family and the support that you have from your family. And that's a wonderful way to begin your new assignment. So I commend you and your family for this undertaking.

MR. PERRY: Thank you very much, Senator Kempthorne.

SEN. NUNN: Thank you, Senator Kempthorne.

Mr. Secretary, I think we are winding down here, looking around the room, and that's -- when the room empties, that's the best sign for a nominee.

MR. PERRY: (Laughs.)

SEN. NUNN: That's the best sign. So I have one other question that relates to conflict of interest. You've already alluded to it, but I think it needs to be on the Record with clarity.

When you returned to government service last year to serve as deputy secretary of defense, you did so at a considerable financial sacrifice, pay cut, but you also were required to sell a number of valuable stocks in defense companies and take other steps to eliminate potential conflicts of interest. These steps included an agreement to not participate in particular matters that could have a direct and predictable effect on Stanford University, where you intend to return to teach after you leave public service.

Similarly, you agreed to not participate in particular matters that could have a direct and predictable effect on several small companies

in which you have a relatively small financial interest that are not readily marketable -- you couldn't sell them.

As secretary, your duties will cover the same scope of activities as your duties as deputy secretary since, of course, as deputy you served as the secretary's alter ego. Could you describe for us on the Record the entities that currently are the subject of your recusal agreement, and tell us how you will deal with these entities if you are confirmed as secretary of defense?

MR. PERRY: Yes, I can -- would you like me to do that now, Senator, or --

SEN. NUNN: Well, if you could, or make it part of the Record. I'd like to make it part of the public record so there won't be any -- any mystery about it.

MR. PERRY: Yes. There are a number of companies, and I will submit -- if you do not already have this in your files, I will supply you the full details, the names of the companies. I would not describe -- these are small companies, but my holdings on them are not relatively small -- not relative to my evaluations anyway. That's why I have wanted to hold them.

There were (a few ?) companies -- smaller companies in which the holdings were small enough that I just gave the stock away, and these are the ones which I felt that the consequence of doing that (would ?) be too significant, but they are small in the sense of -- these companies are small in the sense of their relative impact in defense, and in particular, I forecast then to this committee that I would never hear or see of them in my role as the secretary of defense, and that is -- deputy, and that has certainly turned out to be true in this first year.

SEN. NUNN: What is the arrangement, then, relating to something that would come up that had either direct or indirect effect on one of these companies? How do you plan to handle it? How have you been handling it, and how do you plan it?

MR. PERRY: First of all, my staff has a list of these companies, and if anything were to come up, they would -- their first plan would be to divert from me before I ever saw it.

55 Secondly, if something comes up directly to my attention, then I would divert it, and the diverting would be to pass it on to either above or below me, and as deputy I would have passed it either to Secretary Aspin for a decision or to Undersecretary Deutch to handle the issue for me.

SEN. NUNN: And you believe that that is a satisfactory arrangement and you --

MR. PERRY: I believe that's satisfactory for the relative insignificance of the companies that we're talking about here. I think that would be a questionable arrangement if these were companies that had large defense programs -- you know, the top 10, the top 20 defense contractors.

SEN. NUNN: Are these companies that have a substantial portion of their income in defense?

MR. PERRY: A few of them, yes; most of them, no.

SEN. NUNN: Is there any problem with making this public -- the names of the companies?

MR. PERRY: Not at all. I have no problem with that.

SEN. NUNN: And so you will submit a list, and when you do, we will make it public. Is that satisfactory?

MR. PERRY: That's fine with me.

SEN. NUNN: Okay. I think that winds us up. I want to thank Jamie Gorelick and Jack Deschauer for all their help. I know you spent literally many, many hours and your hard work has enabled us to have this hearing in an expedited fashion.

Dr. Perry, it would be my hope we could present this matter to the Senate as soon as we can get our committee together, and I would hope the Senate would act expeditiously. I know you have a lot on your plate and a lot to do.

MR. PERRY: Thank you very much, Mr. Chairman.

SEN. NUNN: Thank you, and again, we welcome your family, and we know they're going to be supporting you.

SEN. KEMPTHORNE: Mr. Chairman, may I ask unanimous consent that this memo from the survey team be part of the Record?

SEN. NUNN: Sure, without objection it  
will be.  
(Sounds gavel.)

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ARMY TIMES

## Pentagon's new limits on gays

By Neff Hudson  
Times staff writer

WASHINGTON — Bowing to congressional pressure, the Pentagon has agreed to revise its new regulations on homosexuals in the military to make them more restrictive.

Pentagon officials said there would be only minor revisions to the policy, known as "don't ask, don't tell, don't pursue." But they also decided to delay the policy's Feb. 5 effective date until later this month.

The delay was attributed to "paperwork" and the need to ensure that all the services would carry out the policy in the same manner, officials said.

The delay was announced Feb. 3, after William Perry, the new defense secretary, spelled out the policy's revisions in written testimony to the Senate Armed Services Committee.

Feb. 14, 1994

Committee Chairman Sen. Sam Nunn, D-Ga., said his staff has been working closely with the Pentagon to make certain the policy complies with the 1994 defense authorization act, which codified the military ban against homosexuals.

The policy also must be clear enough that service members can understand it, as well as being defensible in court, Nunn said.

### Quiet compromise

When the regulations implementing the Pentagon's policy were first unveiled Dec. 22, 1993, they appeared to be less restrictive than required under the law.

The most troubling aspect for lawmakers centered on a provision that would allow homosexuals to serve openly in the military as long as they do not engage in homosexual acts.

Under new language being added to the regulations, self-proclaimed homosexuals have the burden of proving that their orientation will not lead to improper conduct. For example, if a soldier says he is a homosexual, that statement alone is grounds for separation.

A service member will have an op-

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portunity to present evidence to an administrative board that he is not a practicing homosexual and does not intend to become one.

But military authorities are not obligated to present any other evidence against him. Board members themselves are allowed to ask the service member whether he engages in homosexual acts.

If the service member refuses to answer those questions, his silence could be held against him under the revised regulations.

The revisions also make it clear that homosexuals have little or no right to appeal their dismissal on procedural grounds.

Staff writers Rick Maze and William Matthews contributed to this story.